The MAGAZINE of WALL STREET

and BUSINESS ANALYST

JUNE 28, 1952 75 CENTS

STOCK MARKET AND THE ELECTION

SCIENTIFIC CONSTRUCTION OF AN INVESTMENT PORTFOLIO TODAY

By PHILIP DOBBS

★

THE SUBSIDY OCTOPUS

By THOMAS L. GODEY

★

COMPANIES WITH EXPECTATIONS OF HIGHER EARNINGS IN 1952

By GEORGE W. MATHIS

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 90, No. 7 June 28, 1952

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover Photo by Goodyear Rubber Co. showing The S.S. United States, America's largest and world's fastest luxury liner.

C. G. Wyckoff, President and Treasurer; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 75 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$15.00 a year in advance in the United States and its possessions and Pan-America. Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, E. C. 4, England.

Cable Address — Tickerpub

T

C.

WIT
car
ard
Th
tak
dar
ine
the
so
giv
rea
pre

F
of t
for
par
und
can
mis
par
nee
idea
a fu

T
adm
com
serv
par
avo
wou
nee

T
hav
com
of t
stak

Bu

THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*

The Trend of Events

WITHOUT UNITY—CHAOS . . . On July 7, the Republican party will hold its convention and select a standard-bearer for the forthcoming Presidential race. This will not be an ordinary convention as it is to take place at a time when international skies are darkening and the apprehensions of our own people inevitably are mounting. Accordingly, it is vital that the delegates to the convention conduct their affairs so that the conclusion of the proceedings will not give the nation, which is terribly in need of unity, reason to believe that self-interest was allowed to prevail against the security of the people.

Failure to act in accord with the highest interests of the nation, therefor, would not only result in the forfeit of a great opportunity for the Republican party but, what is of supreme importance, would undoubtedly lose them the confidence of the American people for years to come. This would be a double misfortune in that it would not only vitiate our two-party system but would deprive the people of a needed opportunity to place new men, with new ideas, at the helm of state, at a time which demands a fundamental change.

The country has had twenty years of democratic administration, which has become old and tired and deserves a rest. The Republican party, in its convention, should avoid doing anything which would interfere with this needed rest.

The American people clearly have an enormous stake in the coming convention. The rest of the world also has a great stake. Those of us who watch the international scene closely view sympathetically the deep anxiety exhibited by the rest of the free world in our political affairs, for it knows well that a deep rift among our political leaders which cannot be bridged spells eventual calamity for all. The Republican party, therefor, is now burdened with a responsibility far greater than any experienced in its history, even greater than that of the convention which nominated Lincoln in 1860. Let it live up to this responsibility and not force us to say finally that it preferred chaos to unity.

CURBS ON METALS EASED . . . Under a series of orders issued by the National Production Authority, the government has exempted about 80% of users of copper and aluminum from direct allocation control. Only the large users must still apply for allotment.

Liberalization of copper and aluminum restrictions is a direct result of a large increase in the supply of both metals which has materialized more rapidly than anticipated. Probably the principal influence in what appears the commencement of an oversupply situation has been the failure of civilian demand to come up to expectations. This is all the more obvious since the still very heavy defense requirements for the two metals are being fully met.

What has happened is simply this: manufacturers of durable goods requiring substantial use of copper and aluminum have suffered a shrinkage of markets owing to consumer resistance. This has brought about an unwieldy in-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

ventory situation at manufacturers' levels with the consequence that production of such items as refrigerators, washing machines, vacuum cleaners and similar appliances has been cut. Under the circumstances, manufacturers of such items are not in pressing need of the metals that were in short supply not long ago.

Fully aware of this situation, the government apparently is attempting to encourage the smaller manufacturers to increase their operations through providing them with added supplies of the metals. It is difficult, however, to see how these smaller concerns are to be benefited if the larger ones are having trouble in keeping their production levels up to satisfactory levels.

It is regrettable to have to say it but the new move seems another one of those governmental shot-in-the-arm affairs which have become so numerous in this election year. No doubt the government's liberality in this instance will produce a better feeling among the little fellows. The important question is, however: will it produce more business?

DEFAULT IN FOREIGN BONDS . . . According to a bulletin issued by the Institute of International Finance of New York University, full debt service is now being met on approximately 68% of $4.1 billion of publicly offered foreign dollar bonds outstanding at the end of last year. This represents a considerable improvement over the 50% of foreign bonds in default in one respect or another years ago, and is undoubtedly the result of what passes for economic improvement in the countries involved, most of it directly or indirectly due to American aid.

Of special interest is the improvement in Latin-American bonds with only 20.6% in default compared with 76% of the European and 25.9% of the Far Eastern bonds outstanding. Of the Latin-American bonds in default, 25% were accounted for by Mexico and 34% by Bolivia. German issues in default accounted for two-thirds of the European bonds.

It is gratifying that holders of foreign dollar bonds are now receiving a somewhat better return than they were accustomed to in past years. Nevertheless, the record of foreign dollar bonds is still the poorest of any important investment category. As investments, these issues have fallen into complete disfavor.

The fact that there has been some improvement since the war does not conceal the fundamental fact that few of the nations which in years past borrowed from private American investors are in a position to honor their obligations in full. Aside from Canada, it is probably true that American investors as individuals can never again be prevailed upon to lend their money to foreign governments.

Of course, as taxpayers they are still lending (or giving) immense sums abroad but this is on a governmental level. As in the case of the old foreign dollar bonds, the American investor (taxpayer) still loses on the deal, but at least he bears only his share of the load instead of accepting the full loss as in too many cases in the past.

A SELF-POLICING JOB . . . Recently GMAC (General Motors Acceptance Corp.) published an advertisement which surely should have astonished the beholder. For here was a company in the finance business which contrary to general practice in the field of installment financing, deliberately urged its potential customers not to buy on credit terms which they could not afford, and, in fact, to put down as much cash as possible and thus shorten the period of their loan. Since this company naturally makes its profits on the interest it receives on its loans, it is obvious that the longer the loan is outstanding the more revenue it will receive. Therefore, it seemed to be advocating a policy, at first glance contrary to the interests of the company.

Actually, GMAC was accomplishing two purposes by its unconventional policy: one to do its best to hold back inflationary pressures such as excessive installment buying tends to produce, and second to safeguard its own position against a period when cars unwisely bought might have to be repossessed later on in uncomfortably large numbers.

The important feature of this new approach is that it is an arrangement between the company and its public, without government interference or control. As such it is to be welcomed as a witness to the fact that American industry is quite capable of policing itself not only for its own protection but to the benefit of the entire public.

This is not an isolated instance of self-control and discipline by a large American concern. Many others dealing with installment credit in one form or another are adopting similar far-sighted policies. We may be sure that they will not lose by it in the long run.

LOSS IN STEEL OUTPUT . . . As we go to press, nearly 7 million tons in steel have been lost through the nation-wide strike. Aside from the loss to the steel companies and the workers, serious losses in production threaten other industries which are dependent on steel to keep their factories running. Many of these companies, for example, manufacture equipment and components of artillery which are needed not only to build up armaments at home but which are in immediate need by our forces in Korea. In some vital items, these forces have only a 60-day supply. It is to be hoped that production of such material will soon be brought to the needed levels. On the other hand, many manufacturers for civilian use will shortly be out of the running unless the strike ends soon as they cannot operate their plants without steel.

It is ironic that the steel industry which has expended a huge effort, let alone hundreds of millions of dollars in new plants, in order to increase steel production this year and thus help meet the national emergency should lose, through a needless strike, almost the same number of tons that it had hoped to gain through an expansion of its facilities. To observers abroad this must look like an idiotic state of affairs. As for the Soviet leaders, one can well imagine their complacency.

Aside from the physical loss caused by the now protracted strike, it is clear that the three immediate losers are the workers, the steel companies and the government. The workers are sacrificing millions in wages with concomitant results on the stores and shops they and their families patronize; the steel companies will suffer in earnings as long as the strike continues, and the government loses in the taxes it otherwise would have received from the industry and the workers. No wonder the reds are complacent.

As I See It!

By JOHN CORDELLI

REVIVAL OF NATIONALISM IN ITALY

Of the three defeated totalitarian powers, Italy was the first one to regain full political sovereignty. If the recent political trend in Italy is any criterion as to what may happen in Germany and Japan, then we may expect two things: (1) the revival of nationalism, which once more is gathering under its colors the people who suffered by the defeat: the hard-pressed middle class, sulking bureaucrats and army officers, and the overgrown student population for which there are few jobs in prospect. (2) A mutually contrived attack by the extreme right and the extreme left parties at the middle-of-the-road, and moderate parties, using as a pretext the business recession, growing unemployment, rising prices, and, above all, *the abandonment of postwar reconstruction programs and reforms in favor of rearmament.* The middle-of-the-road parties are represented by Premier de Gasperi in Italy, Chancellor Adenauer in Germany, and Premier Yoshida in Japan—all men who can be trusted, are friendly to the United States, and are mainstays of Western defense policies.

"JACK-IN-THE-BALLOT-BOX"

Siebel in The Richmond Times-Dispatch

In the 1952 provincial and municipal elections held in May principally in southern Italy (last year's elections were held mainly in the north) the chief gainers were the neo-fascists, hysterical, preaching nationalists who together with the monarchists captured nearly 30 per cent of the popular vote in towns. Calling themselves "Movimiento Sociale Italiano," M.S.I., the "Missini" teach the totalitarian theories of Mussolini's first and last days. They are confident that during the next "general elections," which are to be held in 1953, they will win in coalition with the monarchists and other extreme right elements the premiership of Italy. Mr. Edmund Stevens, Christian Science Monitor correspondent in Italy, writes that the local "Missini" organizations have already prepared long proscription lists of prominent democrats as well as leftists. The citizenry at large would be classified into categories. Only those with an approved pro-Fascist background would be listed as first-class citizens. Those with democratic leanings would be purged from public life.

However, the "Missini" may be a little premature in their hopes. According to computations based on last and this year's elections, the center parties still control at least one-half of the electorate. The leftwingers, including the communists, are about holding their own. What is disturbing, however, is that the coalition parties are dissatisfied with the de Gasperi policies. They are growing stronger at the expense of Christian Democrats (de Gasperi's party) and may break off. Thus the political trend in today's Italy seems to be toward a "crazy quilt" of relatively small center parties, squabbling among themselves. With the extremists on the both sides getting stronger. After three years of relative peace, political instability in Italy is once more on the increase.

Why this recurrence of restiveness, the reader will ask. Haven't we poured some $1\frac{1}{4}$ billion into Italian recovery? Hasn't Italy successfully disinflated? What about the post-Korean business boom? Isn't Italy's industrial production some 50 per cent higher than it was before the war? What are the reasons for this swing to the right?

The truth is that the post-Korean "boom" is wearing off. Rising costs and German and Japanese competition are making it difficult for the Italians to sell in international markets. Despite a lot of talk about adopting American know-how, not much has been done in the way of modernization of production for one simple reason: the lack of capital. Besides the talk here about putting restrictive import quotas on some (*Please turn to page* 404)

Stock Market and the Election

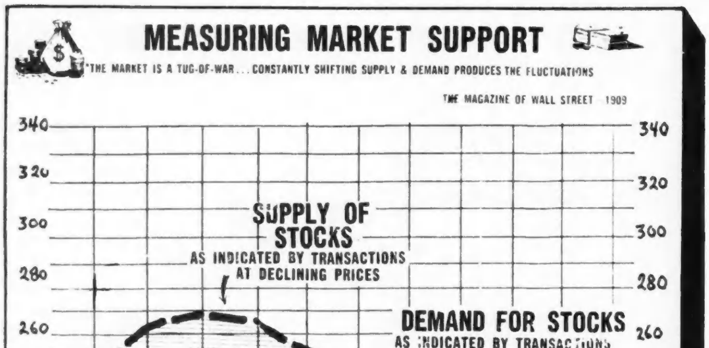
A fair amount of recent selective strength left the general market position unimportantly changed. Despite cross-currents, some further summer rise in average stock prices is possible, perhaps influenced by nearby political considerations. Basic factors continue to argue for a selective, reasonably conservative investment policy.

By A. T. MILLER

The stock market's only response to the steel strike was a sidewise drift of the averages for much of the last fortnight; and that might otherwise have been justified on technical grounds, since it followed a sizable spurt in the first week of June. Enough selective demand developed in the final three trading sessions of last week to result in a modest net gain in average prices for the two-week period since our last previous analysis was written.

So far as its relationship with the steel strike is concerned, this is pretty much a traditional performance, for one of the oldest of market adages is: Never sell stocks on strike news. The reasoning is that strike-caused production losses can be expected to be made up later, other things being equal. In this instance that rule certainly makes sense.

Industrial production will decline further as a result of the strike—rather sharply if it lasts much longer—and of the July factory vacations; but allowing for gradually rising defense spending ,the maintenance of plant-equipped outlays at close to the peak rate and the high over-all level of consumption, a good late-summer rebound in production can be taken for granted. Moreover, under present tax rates, the major part of the steel industry's direct strike losses will be borne by the Federal Treasury. The same will be so of most companies directly affected by stoppage of their steel supplies. Since the strike will deplete previously large steel inventories, this makes the steel volume prospect for late 1952 better than it otherwise would have been.



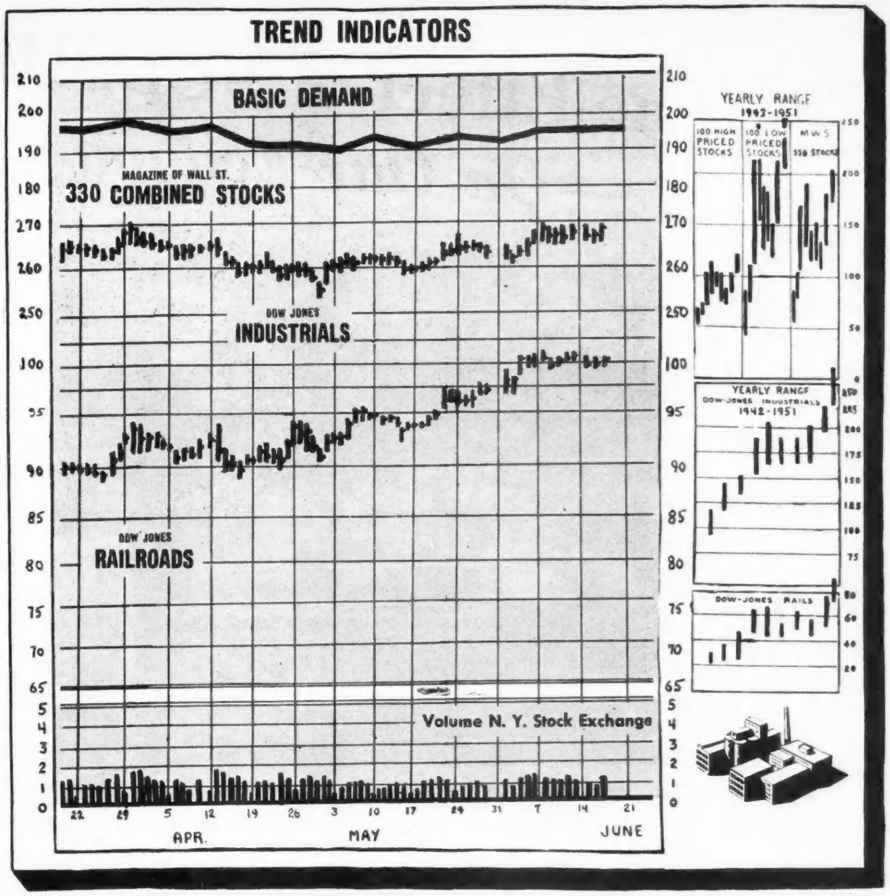
Steel Strike Only One Factor

By and large, investors and traders seem inclined to give the benefit of the doubt to the hopeful side—and not alone in the matter of the steel strike—as has been the case for about seven weeks, or since termination of the market's moderate March-April downswing. It is felt that in most cases the poorest earnings of 1952, on a year-to-year interim comparison, were seen in the first quarter. It is noted that average dividend yields of not much less than 6% are good. There is emphasis on the inflationary potentials in Treasury deficit-spending for some time to come; on improving tendencies in soft-goods business; and on the well-maintained level of over-all retail trade, which is not fully measured by department-store sales.

So long as this mood prevails, the uncertain political outlook will be viewed either favorably or at least without concern. If we get a conservative Administration out of the election, will not that mean a lift to basic investment confidence, resulting in higher price-earnings ratios in the market? On the other hand, if the Democrats win, will that not mean a continuation, more or less, of the inflationary New Deal-Fair Deal policies, heavy "pump-priming" to combat any post-defense economic deflation

and, hence support for stock prices?

In this current mood there is ,of course, more of an inclination by investors and speculators to hold or buy stocks than to sell. Demand is selective and not too aggressive; but recently about three times as many individual stocks have made new highs for 1952 as have made new lows. Volume, while quite modest, at least has been largest in periods of strength. There has been some selective spread of speculative tendencies, first and still most evident in the railroad group. It is present, for instance, in textiles, building materials, aircraft stocks, soft drinks, autos and auto parts and air lines. In all of these instances, and others, it is a revival of previously laggard groups. No groups are currently "going to town" into new all-time high ground, as was so of the minority of important groups which in rotating leadership paced the successive phases of advance from early 1951 into last January.



The bright side, of course, is not the only side. The industrial average has yet to rise out of its nine-months-old trading range; and, even if it should, the chances for a broadly sustained advance, in contrast with the limited two-way swings of the last 17 months or so, will not be too impressive. Earnings and dividends have passed their peaks. Barring global war, which would be bearish, peak defense spending will be reached in a matter of months. Although still high, the peak rate in plant outlays was seen in the 1951 fourth quarter. We are having a "rally" in previously depressed soft goods lines (and not even all of those), not a highly profitable forward surge. At best, inflationary potentials for the rest of this business cycle appear rather mild, on realistic appraisal—which is the way the sensitive commodity markets are rating them up to this writing. Whether or not from a somewhat higher market level, investors probably in due time will again swing to the cautious side, looking on the less bright aspects of the situation and outlook. Dynamic bull-markets do not usually flatten out for more than a year and then get going again in a big way. The risk cannot be ignored that the limited-swing market will eventually degenerate into a bear market.

Republican Win More Favorable

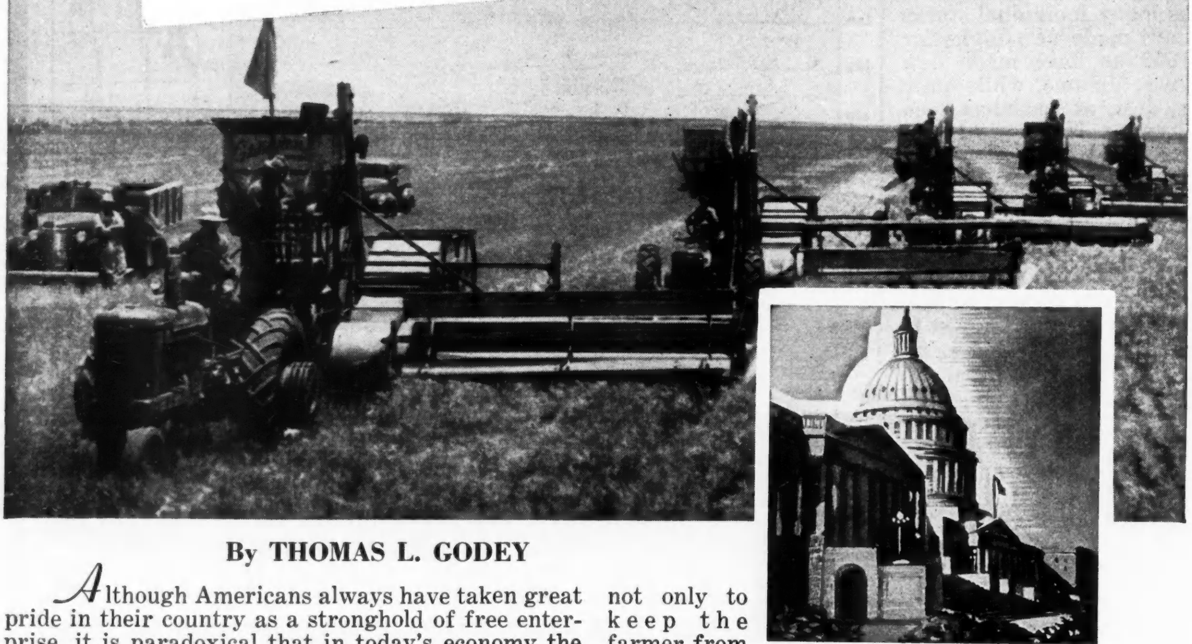
In 12 Presidential-election years since 1904, a period of almost half a century, the stock market has fared substantially better in Republican-victory years than in Democratic-victory years. In the former the average pattern has been a sharp rise in the second half, maintained through the year-end, following narrow fluctuation in the first half. In the former it has been a downward tendency in the first half, confined mainly to the second quarter, a moderate rise into autumn, partial cancellation of this to the year-end, resulting in a nominal full-year gain, against an average full-year gain of roughly 16% in Republican-victory years.

Too much significance should not be attached to this record. It is only an average of widely varying market movements in national-election years; and results in 12 given years out of 44 could readily be influenced far more by non-political considerations than political. If there is any political motivation in bull or bear markets, it is relatively little; and more capable of influencing interim phases of advance or decline than the whole bull or bear cycle.

Illustrating this point, under Republican Administrations between 1920 and 1932 we had the greatest bull market in the country's history and the worst bear market. And under the New Deal and Fair Deal since 1932 there have been three major bull markets, including the latest one begun in mid-1949, three minor bull markets, two major bear markets and three minor bear markets. This record emphasizes how little average market performance in election years can mean.

If Eisenhower is nominated, there might be a "confidence boomlet" in the market for a time this summer, petering out as sober second thought is given to basic economic (*Please turn to page* 404)

The Effect of SUBSIDIES
—On Our Economy



By THOMAS L. GODEY

Although Americans always have taken great pride in their country as a stronghold of free enterprise, it is paradoxical that in today's economy the nation finds itself embedded in a huge subsidy program. Since 1933, when the first price supports were authorized, the U.S. has spent the impressive sum of almost $23 billion in direct subsidies for its farmers and businessmen. And now because of the semi-wartime state, we still find ourselves resorting heavily to several kinds of price supports, as well as numerous other forms of indirect financial assistance to domestic ventures.

To protect our basic crops, to insure production and to underwrite a few specific industries, the subsidy business has grown to an annual investment of nearly $2 billion. It runs the gamut from the housewife's kitchen staples, such as rice, to indirect subsidies like the Reconstruction Finance Corporation loan to a mink ranch or the $42 million contribution to the S.S. United States, America's latest queen of the seas. Since the outbreak of the Korean war, stockpiling of strategic materials—another type of subsidization—has come into prominence.

Little does the average American realize to what extent his daily existence is influenced by subsidies. Besides carrying the extra tax burden necessitated by price supports, which in effect are nothing less than floors on sixteen individual commodities, he pays more at the grocer's so that the farmer's high level of post-war income may be sustained. Therefore, when he suddenly finds his dinner table short of one of the supposedly plentiful foods, as happened recently during the potato shortage, he is justified in demanding a full explanation.

Born in the depression days of the thirties, price supports were designed by the New Deal architects not only to keep the farmer from bankruptcy, but also to promote economic stability. However, the mechanics of the parity formula have worked in the opposite direction since the upsurge in overall prices following the Korean aggression. Costs of essential foodstuffs skyrocketed while the consumer's take-home pay narrowed, principally because of increased tax assessments.

Support for such commodities as wheat, corn, oats, cotton, flaxseed, peanuts, tobacco and rosin have defeated the purpose of the Office of Price Stabilization. On one hand, OPS has been trying to keep a lid on prices, while at the same time subsidies tend to raise costs.

Subsidies May Be Necessary Evil

If inflation has run its course by now, and the nation is moving into a deflationary period as is the consensus of many top economists, then there may be reason to keep farm subsidies as a necessary evil. This would follow the path recently set by the Administration in relaxing such artificial props as Regulations W and X.

Aside from benefits in times of depression, subsidies have performed usefully as a stimulant to production of scarce commodities during prosperous eras. This was especially true when the world was caught short of wheat in the 1950-51 rush to stock up on the basic food.

As of April 30, total farm loans and inventories outstanding were over $2.1 billion, with the Commodity Credit Corporation, which acts as financial agent for the Department of Agriculture, authorized

to make total commitments up to $6.7 billion. For the last reported fiscal year, a net loss of $346 million was sustained. Including a smaller deficit forecast for the current twelve-month period, our price support policy since its inception will have cost the taxpayers nearly $12 billion for various ways of aiding producers of food and allied items. Consequently, the public regards America's farmers as a privileged lot. While wage and price controls hover over the lives of the majority of people, the farmer frequently has escaped these encumbrances.

The present potato fiasco has its roots in the irresolute days of 1948 when the Administration stubbornly believed there was only one course to eliminate the overabundance. To keep the farmer content in the pre-election atmosphere was the government's main theme. The plowing under and burning of millions of bushels was the method chosen. These steps were later followed by "selling" vast amounts abroad for a penny a bushel. When the last price support peg was removed from the potato subsidy program in 1950, the pampered farmer lost his incentive to plant large crops. As a result, the current annual output per acre lags by one-fifth from the previous harvest of 450,000,000 bushels.

Limited Output Boom to Black Market

As evidenced by the potato famine, an inadequate output will drive the short product into the black market. When price controls were lifted several weeks ago, wholesale costs jumped as hoarded supplies immediately found their way back to legal channels. The non-law-abiding entrepreneur was quick to dump his holdings that were obtained in the once thriving black market.

In the short history of price supports, there has been an inclination to raise subsidies for political reasons. The Senate Agriculture Committee has approved a two-year postponement of an impending reduction in the computation of parity prices. Under the 1949 law, a new 75% parity formula was to become effective in 1954. On the basis of present costs, the support price of wheat—the commodity receiving the largest dollar subsidization—would have been lowered by 29 cents a bushel at that time.

Had the government passed legislation trimming agricultural subsidies, it is obvious that a cut in the farmer's income would be inconsistent with the present policy of encouraging pay increases for organized labor. Furthermore, the action undoubtedly would be regarded by industry as a pattern to be followed. The net result could possibly be a considerable loss of the labor vote to the incumbent party.

The second largest share of our direct subsidy program has benefited America's expanding industrial empire. To maintain peak levels of output while simultaneously keeping prices in hand, World War II subsidies to producers and distributors amounted to almost $5 billion.

With the advent of the Korean crisis, industry was confronted with the dual role of producing armaments side-by-side with peace-time goods. In addition to the psychological adjustments required, it was immediately necessary to undertake a broad capital expansion program. Realizing the urgent need for defense production, the government set to work hand-in-hand with management. Steel, fuel, aluminum and mining companies were the principal beneficiaries of roughly $1 billion contributed in the form of subsidies for building greater productive facilities.

This system of helping industry for the emergency period was soon replaced for the most part by the tax amortization certificate policy. To encourage private concerns to increase their capacity during the present emergency, the Defense Production Administration has allowed plant operators to write-off almost $21 billion in certificates. Under this indirect form of subsidization, a high portion of plant and equipment costs may be written off in a five-year period instead of the usual 20 or 25 years.

A most diversified list of industries has participated in the so-called fast write-off policy, which actually cuts the operator's tax payments during the first five years of the life of the new facility. Not to be confused with the indirect subsidies resulting from accelerated amortization is hundreds of

Direct Subsidies Spent Since 1933

(in billions of dollars)

Item		Amount*
Food and allied items		$12.
World War II production and distribution	5.	
Post-Korean production	1.	
Total production and distribution		6.
Stockpiling of strategic materials		3.5
Copper payments		.6
Merchant Marine		.7
Airlines		.15
Total Subsidies		$22.95

*Latest approximate available figures.

The new "United States" scheduled for its maiden sailing to Europe July 3rd. This vessel cost $70 million to construct, of which the U. S. government supplied $42 million in subsidies and special appropriations.

millions of dollars also saved by the railroads, utilities, extractive industries and closed-end investment firms through specific tax concessions granted by the Treasury. As examples, the railroads are permitted to compute taxes on the basis of invested capital instead of earnings while the extractive companies are tax-sheltered up to 27½%.

A newcomer to the subsidy field since the Korean crisis has been the $3.5 billion devoted to the stockpiling of strategic materials. Although the building of these buffer stocks was instigated by the government as a precautionary measure against future aggression, at the same time U.S. manufacturers have gained directly since they have received the bulk of these funds.

New Stockpiling Scheme Weighed

Latest emphasis in Washington is on a new price-supporting scheme for our stockpiles. Because of weakened quotations for such vital ores as zinc and lead, the Administration has proposed to buy certain strategic materials in the world markets, loan the metals to industry for a limited period and then recover the portion left over for its stockpile.

Closely linked to the stockpiling program are the subsidy agreements the government has arranged with nine copper mining companies for payments of over-ceiling prices for this scarce metal. In an effort to boost production, another 250,000 tons of copper has been added to the total projected annual output as a result of the "partnership" arrangement which will cost the government about $600 million.

One of the most debatable of all subsidies to business evolves from the $700 million spent by this country for maritime support since the Merchant Marine Act of 1936 became effective. This composite figure of both operating and differential aid received by the shipping companies does not reflect the adjusted construction subsidy payments recently the target of Congressional hearings.

In view of the repeated statements of the steamship companies that they cannot invest in the urgently needed merchant fleet under the present fluctuating subsidy regulations, it is anticipated that the government's payments for the luxury liners Constitution and Independence will be swelled to $35 million. Shipbuilding subsidies as a whole have given the construction yards a badly needed economic shot-in-the-arm. Since the end of the war they have languished on routine repairs. Neither the shipping companies nor the builders would have been able to finish the sleek $72 million 53,000-ton superliner United States without Federal aid. Under the law, the government is permitted to advance funds for such defense assets as additional speed or strength so that the proposed vessel may be more easily converted into a troopship in event of war.

Because defense shipments will continue to be a primary element in future operations, a new long-range shipping bill liberalizing both construction and operating subsidies has been shaped. Outstanding feature is the broadening of tax deferments—now allowed on funds placed in reserve for ship replacement—to cover reconstruction and reconditioning. Total Federal expenditures in 1953 for the merchant marine is estimated at $211 million, which includes a good-size contribution toward the $350 million project to construct thirty-five speedy Mariner class cargo ships.

Despite the biggest boom in history now enjoyed by shipping operators, high costs, particularly on the labor side, lead many executives to believe that our merchant marine is by far too expensive a luxury. They argue that instead of paying high subsidies, why not let foreign countries haul the cargo, thus helping the latter to earn badly needed dollars. Proponents of a strong merchant fleet naturally advance protection against communist aggression as their most weighty argument.

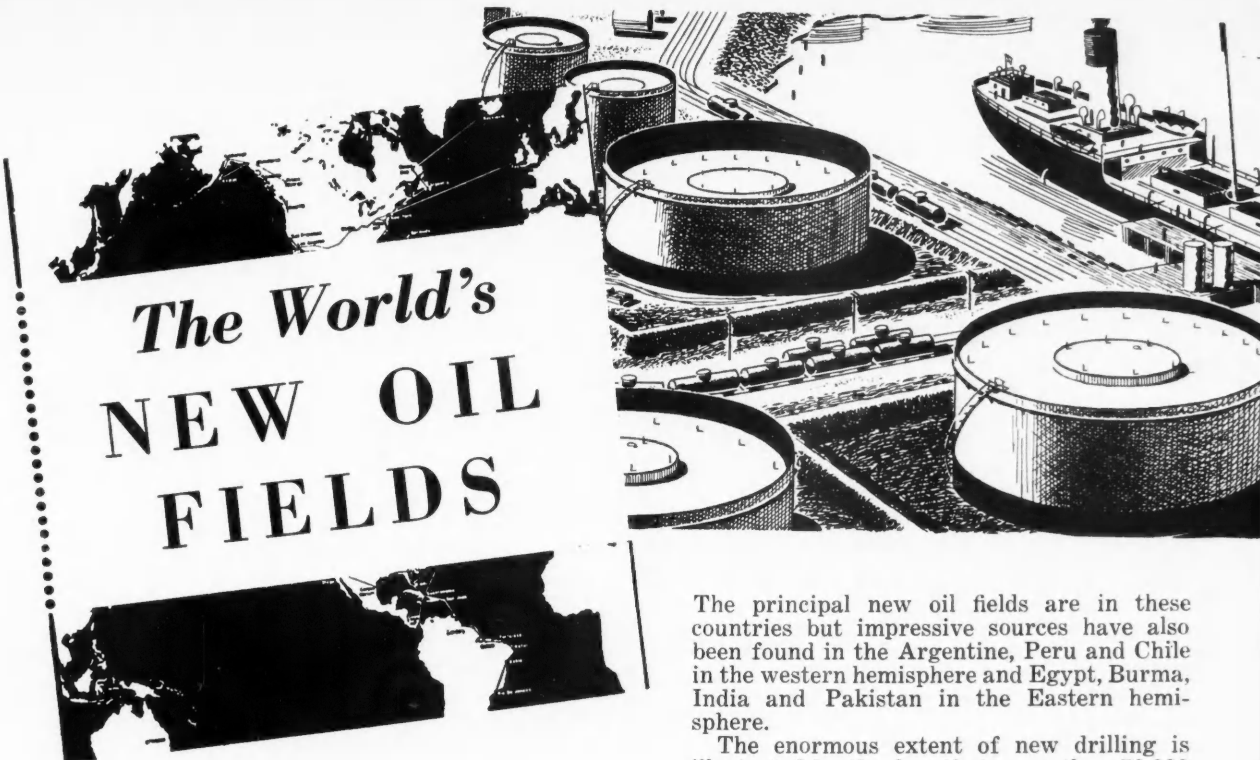
Another keystone of our communications system that has long been a recipient of subsidies is the airline industry. Like the merchant marine, it too has incited a steady stream of controversy. The initial subsidy of $400,000 in 1938 has grown under the fostering administration of the Civil Aeronautics Board to $34 million in 1951. In the past the airlines have been maintained to a great extent through subsidization of the mail pay. Theoretically, rates of pay on air mail have been geared to the financial needs of the airlines. Last year the rates ranged from 45 cents to $7.26 a ton-mile.

After spending roughly $150 million of the government's money for mail pay, CAB separated subsidies from compensation for mail carrying by the four largest air transport firms. Since the airline industry is approaching maturity, it is obvious that fewer companies will rely on financial aid for delivery of the mails in the future. Justification appears to be more in order for subsidies restricted to national defense purposes. Among the several pending bills which will affect the airlines is a plan whereby experienced aircraft manufacturers would be eligible for government loans up to 75% of the cost of certain types of planes. In an effort to develop a better military air transport reserve fleet emphasizing international routes, the industry's freight requirements also are receiving a major impetus from direct support under guidance of the Defense Production Administration.

Indirect Aid is Large

The range of indirect subsidies is extensive. When analyzing the complete picture, sight must not be lost of the numerous other types of Federal aid. Hidden subsidization in one form or another is involved in such general groupings as special grants, relief funds, credit guarantees and outright loans—which include about $35 billion of RFC authorized commitments in the past twenty years. Broken down further, these categories may consist of allocations for such items as housing, school lunches, pensions, cut-rate municipal transportation and admission fees to cultural activities.

While taxpayers are prone to condemn subsidies since they curtail the individual's buying power in the long run, we must face the fact they do constitute an integral part of national policy. In times of emergency, they have their advantages, but in periods of normalcy, subsidies, whether or not they are in the form of price supports, are unsound because they do not foster economic stability. Like price controls, they cannot entirely eliminate inflationary or deflationary pressures. And furthermore, subsidies deprive the American of free pricing since they must be accompanied by managed production and consumption. Because of their fictitious influence on our lives, subsidies postpone the inevitable adjustment that some day must take place in the economy of this country.



The World's NEW OIL FIELDS

By GEORGE L. MERTON

The international petroleum industry has two major tasks: one, to satisfy the world's increasing requirements, and the other to provide adequate reserves for the future. Despite forebodings that the petroleum reserves of the world had a more or less limited life, actual experience in the past few years has proved conclusively that fears on this account are groundless.

In fact, the world's crust has comparatively limitless reserves, and oil is being found in the most unlikely places. For example, oil strikes have been reported north and south of the German-Danish border; the little state of Israel hopes to start drilling operations in the Negev sands after completion of its present exploratory efforts, and both France and Italy have hopes that extensive oil-bearing deposits will be found. At any rate, considerable sums are being spent in both countries in the search for oil. The Netherlands and Germany itself have produced oil in some quantity for a considerable period and are busy exploring for new oil-bearing lands.

A major shift has been taking place in the traditional flow of the world's oil. With consumption requirements in the western hemisphere steadily mounting and thereby reducing crude export potentials, Europe had to shift to the Near East, the only other major source of supply available, if it was to meet its own rapidly growing requirements. Asia, the Antipodes and practically every other part of the world also have to meet new oil needs. This combined world-wide demand has intensified the search for oil and has resulted in immense discoveries in Canada, the United States, Venezuela, Colombia, Iraq, Saudi Arabia, Kuwait, and Indonesia.

The principal new oil fields are in these countries but impressive sources have also been found in the Argentine, Peru and Chile in the western hemisphere and Egypt, Burma, India and Pakistan in the Eastern hemisphere.

The enormous extent of new drilling is illustrated by the fact that more than 50,000 wells were drilled throughout the world in 1951, producing 4.27 billion barrels of oil. When it is realized that it costs from $50,000 to over $250,000 to drill a single well in many of the new regions, the monumental size of the total investment in exploration and development is almost enough to stagger the imagination.

From the dimensions of the cost figures mentioned, it is obvious that the search for oil is Big Business and the most substantial results are likely to be secured only by large aggregations of capital such as those possessed by the world's great oil companies. This would indicate that "shoe-string" ventures into oil exploration are not likely to meet with success and that speculators who succumb to the blandishments of smooth-tongued oil security salesmen will probably regret it. This is particularly true of the lower-grade Canadian oil shares sold to an uninformed public.

The new fields of importance—those discovered in the past few years—are principally in Canada and the United States. Actually, the existence of these new deposits had been known for a considerable period. In some cases, the intervention of the war put a stop to further exploratory efforts and they were not resumed until a few years ago, when the necessary materials and equipment became available. In other cases, the size of the potentials could not be appreciated until new technological methods were put into operation.

Developments in Near East

Most of the so-called new fields in the Near East, the other major source of supply outside of Venezuela, are not, in reality, new in the sense of being recent discoveries, but rather the result of intensification of drilling activities, mainly as a consequence

of the stoppage of Iranian production.

Principal developments in the Near East are the great increase in production in Saudi Arabia, Iraq and Kuwait. Production in these three regions rose as follows from 1949 to 1951: Saudi Arabia, from 477,000 barrels daily to 765,000 barrels; Iraq from 85,000 to 174,000, and Kuwait from 242,000 to 568,000, now running at around 700,000 barrels daily.

Increase in Kuwait Output

In Saudi Arabia, two new fields have been discovered bringing the total to eight. One of these fields—the Safaniya—extends into the Persian Gulf, and is the first offshore drilling development in the Near East. Texas Co. has a very large interest in this development through the 30% ownership of Arabian American Oil Co. (Aramco). Standard Oil of California and Standard Oil of N. J. also hold a 30% interest each in Aramco, which is now the largest oil producing company in the world. In Bahrein, through its interest in the Caltex companies, S. O. Calif. has an interest in important, growing crude production.

Iraq failed to make as much headway last year as Saudi Arabia or Kuwait mainly because of lack of pipe line outlet. However, completion of the new pipe line to the Mediterranean will permit a stepping up of production to about 425,000 barrels daily from the last year's average of about 175,000. The British company, Iraq Petroleum Co., Ltd., of which S. O. N. J. has a 12% interest is the most important single oil interest operating in that country.

Kuwait has been the scene of the most impressive developments in the Near East with regard to rapid building up of production. This is expected to approximate 800,000 barrels daily by the end of this year, compared with 242,000 in 1949. Kuwait's oil is developed as a joint operation by Gulf Oil Corp. and the British Anglo-Iranian Oil Co. Formerly Gulf Oil's interest was represented through a 50% interest in Kuwait Oil Co., a British concern, but has been altered recently through transfer of this interest to a Gulf subsidiary.

All of the Kuwait oil is extracted from the Burgan field with an estimated reserve of 15 billion barrels, probably the largest single pool in the world. Toward the end of last year, however, indications of an entirely new pool a few miles north of Burgan were discovered through wildcatting, and it was stated by one official that, from the rough evidence available, the new pool might eventually add from 10% to 25% to the Kuwait reserves. This would mean an additional 1.5 billion to 3.5 billion barrels, something of obvious benefit to Gulf.

Lesser Producing Centres

Among the lesser producing sections in the Near and Far East, Egypt is producing about 170,000 barrels daily. The older fields at Ras Gharib are producing an average of 200 barrels daily but newer wells at Asl are producing an average of 1,700 barrels. Political conditions, however, seem a deterrent to further large development operations for the time being.

In Central Sumatra, Texas Co. and Standard Oil of California are in a position to get into commercial production, after their extensive preliminary field work has been completed. Elsewhere in this region, Northern Sumatra, Ceram and parts of Java are virtually closed to operations on account of unsettled political conditions.

Generally speaking, activities in the Far East are reduced in scope as a result of unfavorable political and military conditions. This part of the world probably will not be an important factor in crude oil development until a more stable peace can be effected. Indonesia is in a somewhat different posi tion as it has fairly stable government, but increases in production have been comparatively moderate in recent years and are still well below the pre-war output. At present, Indonesia's crude production is averaging about 150,000 barrels daily compared with 170,000 in 1949. On the other hand, the British have had better luck in Borneo where output has soared to 102,000 barrels daily against 20,000 pre-war.

Of the South American oil-producing countries, Venezuela, which is the second largest producer in the world, commands the greatest interest among American investors. Venezuela broke all records last year for oil production and is expected to duplicate this record in 1952. Daily production is about 1,702,000 barrels against 1,321 million in 1949 and only 567,000 in 1939. These figures indicate the enormous strides made by this country in developing new sources of petroleum reserves.

Approximately 90% of Venezuela's production is accounted for by Creole Petroleum Corp. (subsidiary of S.O.N.J.), Shell Caribbean Petroleum Co. (Royal Dutch Shell group) and Mene Grande Oil Co. (subsidiary of Gulf Oil). Other American companies in Venezuela are Socony-Vacuum, Texas, Atlantic Refining, Sinclair, Phillips and Pantepec. All of these companies are active in promoting new expansion plans.

American Company Plans in Venezuela

The importance of Venezuela to American oil interests is indicated by Creole's plan to spend $50 million this year on stepping up the crude oil flow, with nearly $20 million allocated for exploration alone. Total capital investment budget is over $110 million. Shell has an investment program of $105 million this year and Mene Grande about $70 million.

Of the new field developments in Venezuela, Creole made extensions to producing fields at Lake Maracaibo and eastern Venezuela. Approximately 201 wells were completed by Creole in 1951, of which 190 were oil producers. Texas Co. completed a discovery well in eastern Venezuela. Amerada has shown interest in exploratory activities in this country and, apparently, is awaiting favorable action by the government in granting concessions for exploration. Some producing wells have been activated by another company in close proximity to holdings of Amerada, through its subsidiary Esperanza Petroleum Corp. Phillips Petroleum had some success in the San Roque field and the Mata Grande field, with production early this year at the rate of 10,000 barrels daily, a gain of 3,500 barrels compared with the average for 1951. Socony-Vacuum's production from Venezuela averaged in 1951 51,600 barrels a day compared with 36,900 barrels in 1950. The company discovered several new fields. Atlantic Refining produced about 10,500 barrels daily in 1951, somewhat less than in 1950. Before extending its development activities, the company prefers to wait until further concessions are granted by the government. Exploratory work is centered mainly in eastern Venezuela, where a number of the newer

fields have been discovered.

Developments in Colombia have been encouraging. The Magdalena valley is the center of important new discoveries, with International Petroleum Co. (S.O.N.J. subsidiary) leading the way with an impressive discovery well. Colombia production is about 106,000 barrels daily, compared with 81,000 in 1949. Texas Co. (through the 50% owned Colsag Corp.) has found two new producing areas in the Barco Concession and better than expected results in a third area, previously proven. Socony-Vacuum's share in the gross production of the Barco Concession averaged 13,800 barrels daily in 1951, an increase of 900 barrels daily over the average for 1950.

The Great Canadian Discoveries

Of greatest interest to American investors are the immensely important new fields in Canada and the United States. Readers of this publication are familiar with some of the latest field developments in Western Canada. The new fields are in the four provinces of Alberta, Saskatchewan, Manitoba and British Columbia.

By far the most important discoveries thus far have been in Alberta, although others of great potential value have been made in the other three provinces. The oil development program, centered in Alberta, has called for expenditures of about $750 million in the past five years. During this period approximately 2500 wet wells have been brought in, with a productive capacity of 200,000 barrels a day. However, only a small portion of the 600,000 square miles of possible oil-bearing land has been prospected, let alone developed. It is estimated that it may take as long as two decades to bring these new regions to full maturity as oil producers.

The potentialities for oil discovery in Western Canada may be appreciated from the fact that whereas only 17 separate fields were located in 1947, there were 119 in 1951. This increase is due to the stepped-up investment in exploratory activities, especially by the large companies, such as Gulf, Socony, Imperial Oil, Shell, Phillips, Standard Oil of California and others. One of the unusual features is that, owing to the favorable geological area, there has actually been a larger proportion of discoveries of large fields than in Texas. Fields of over 50 million barrel potential have been located in 11% of the total areas discovered in Western Canada against only 4% in Texas during the earlier days of that state's rise to oil supremacy. Based on the present discovery rate and concrete development programs, it is believed that by 1954 the potential daily crude output will be in the neighborhood of 420,000 barrels. Between now and 1955, it is estimated that investment for exploration and development in the new regions will be between $800 million and $1.4 billion.

Potentialities in Athabaska

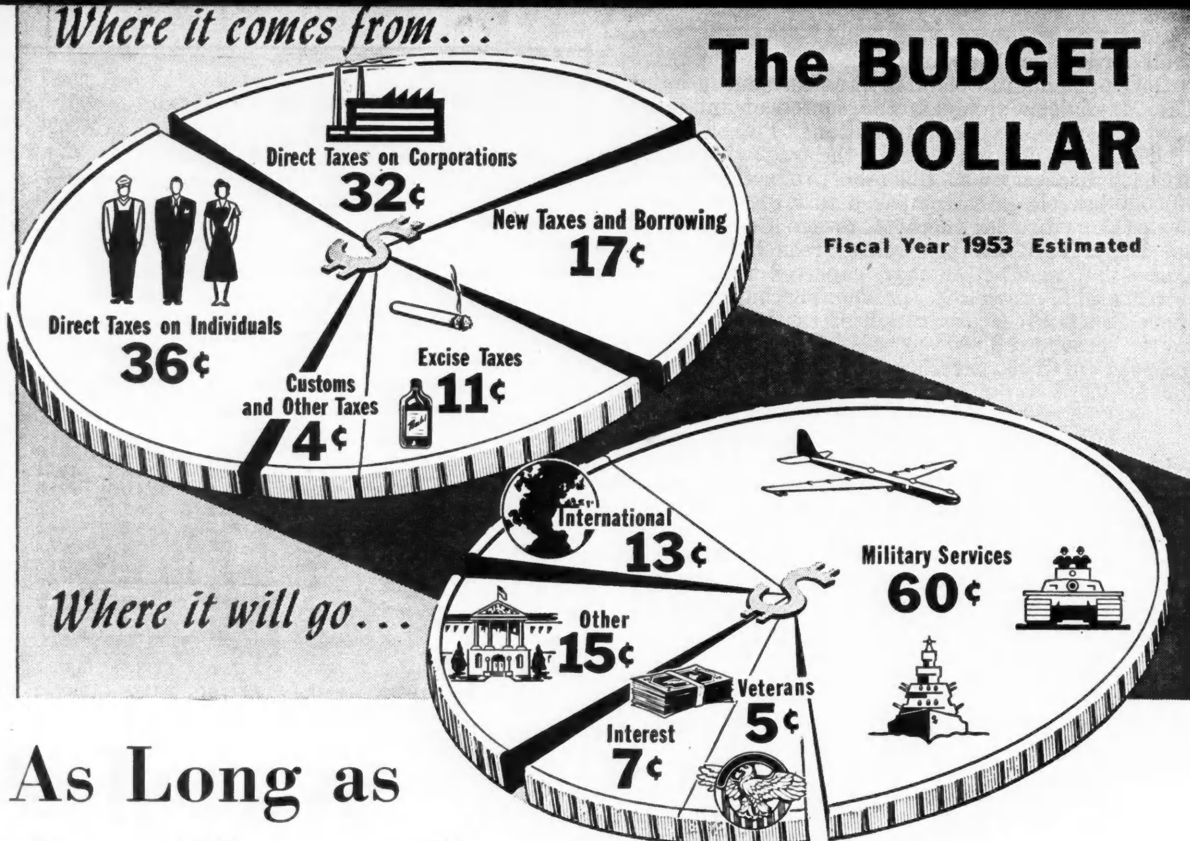
The Ludec field was the first of importance in Alberta to be discovered. Since then a considerable number of others have been discovered. Among them are: Woodben, Redwater, Steeler and Golden Spike. The most important possibilities are attached to the Athabaska tar sands. It is believed these sands contain a greater quantity of crude oil than in all the world's known oil reserves (*Please turn to page* 400)

World Crude Oil Production

(Thosuands of Barrels Daily)

	1939	1949	1950	1951
NORTH AMERICA				
United States	3,465.7	5,046.0	5,402.0	6,120.0
Canada	19.1	57.5	78.3	131.0
Mexico	162.0	167.0	199.0	210.0
Total North America	3,646.8	5,270.5	5,679.3	6,461.0
SOUTH AMERICA				
Venezuela	567.0	1,321.4	1,498.0	1,702.0
Colombia	65.5	81.5	93.1	106.2
Argentina	51.0	63.5	64.0	71.0
Trinidad	52.8	56.5	56.5	56.6
Peru	37.1	40.5	41.2	44.0
Ecuador	6.3	7.2	7.4	7.4
Bolivia	0.6	1.9	1.7	1.5
Cuba	0.3	0.3	0.3	0.3
Brazil	......	0.3	0.8	2.2
Chile	......	0.4	1.6	2.0
Total South America	780.6	1,573.5	1,764.6	1,993.2
WESTERN HEMISPHERE	4,427.4	6,844.0	7,443.9	8,454.2
EUROPE				
Romania	128.5	85.0	89.0	89.0
Austria	11.7	25.0	28.4	44.0
Germany	12.3	16.3	21.6	27.1
Hungary	3.0	10.3	11.5	11.5
Poland	10.7	3.3	3.3	3.3
Netherlands	......	11.8	13.4	13.6
Albania	2.5	6.0	7.7	7.8
France	1.4	1.1	2.4	5.4
French Morocco	......	0.4	0.8	1.5
United Kingdom	0.1	0.9	0.9	0.9
Czechoslovakia	0.2	0.8	0.8	0.8
Yugoslavia	......	1.5	2.6	3.2
Italy	0.2	0.2	0.2	0.3
Total (excluding USSR)	170.6	162.6	182.6	208.4
USSR	603.0	690.0	750.0	810.0
Total	773.6	852.6	932.6	1,018.4
NEAR AND MIDDLE EAST				
Iran	214.0	561.0	665.5	341.6
Saudi Arabia	10.8	477.0	546.7	765.0
Iraq	84.5	85.0	136.2	174.6
Kuwait	......	242.0	345.0	568.0
Bahrein	20.8	30.0	30.0	30.0
Qatar	......	......	33.7	48.4
Egypt	12.8	43.5	45.3	44.1
Turkey	......	0.3	0.2	0.3
Total	342.9	1,438.8	1,802.6	1,972.0
FAR EAST AND OCEANIA				
Indonesia	170.0	115.9	132.5	148.4
British Borneo	20.0	70.5	84.8	102.0
New Guinea	......	4.8	4.8	4.8
India		5.3	5.3	5.2
Pakistan	28.0	2.6	3.5	3.1
Burma		1.0	1.6	2.0
Japan	7.3	3.7	5.7	6.8
China	......	2.0	2.0	2.0
Total	225.3	205.8	240.2	274.3
EASTERN HEMISPHERE	1,341.8	2,497.2	2,975.4	3,264.7
WORLD TOTAL	5,769.2	9,341.2	10,419.3	11,718.9

From "World Petroleum".



As Long as Our Money Lasts .....What Then?

By JOHN S. CRESSWILL

The above chart presents a graphic picture of where the government's money comes from, and where it goes. It is a companion piece to the striking diagram published in the April 19 issue which aroused nation-wide attention. Those who read the article and the accompanying charts in that issue were led to realize the implications of a government budget constantly out of balance. In this article, we attempt to point out several of the ways in which government spending could be reduced without endangering our national security, at the same time bringing Federal income and expenditures into better balance. No subject can be of greater importance to Americans today.

———

In 1953, 78 cents of every tax dollar will go to military or foreign aid. With the staggering sum of $62 billion of next year's budget projected for future defense of the Western world and another $3.2 billion set aside for veterans' costs of previous wars, the U. S. may be eventually headed for a financial crisis. As incongruous as it would seem, unwittingly the U. S. is following a course that would delight the Kremlin as an integral part of Russia's long-term policy has been woven around her hopes of an economic bust for our country.

The preposterous amount of $65.2 billion out of an estimated aggregate expenditure of $85.4 billion is all the more alarming because the government envisages a slump in next year's tax receipts as a result of declining business conditions. Lower incomes of both individuals and corporations in the face of rising government costs have usually meant deficit financing.

In the twenty years since the Democratic administration came into power, Federal expenses have equaled 30% of national income; now 28% of the latter is absorbed by taxes. During the same period the pyramiding U. S. debt was twice the total of the assessed value of all real and personal property in this nation. Consequently, today the share of every working American in the Federal debt of $275 billion has skyrocketed to $4,484. As emphasized by Senator Robert A Taft in one of his recent indictments of government policy, our economy cannot absorb a debt of more than $300 billion.

Deficit Financing Impractical

Because deficit financing is impractical at this time, then why not turn to the second ordinary avenue—higher taxation—to foot our bills? But it is economically unsound to expect the taxpayer to shoulder a larger burden than he now does. Already he has contributed heavily toward the $35.6 billion of post-war loans and grants to the devastated peoples of the world. The one possible way to increase tax revenues, and this would be of limited help, is to make government-owned holdings, such as Federal power projects, subject to the same taxes as private enterprise. In an effort to give the consumer a better break, Canada recently adopted this policy.

With these two approaches (1) increased deficit

financing and (2) higher taxation abandoned as possible solutions in finding a way to meet the vast requirements of rearming the world, does this mean we should contribute our bare minimum and depend upon the other Western powers to help themselves? Or is it possible for the NATO members to increase their arms contribution? These countries plan to spend only 9.2% of their gross production on defense next year. In carrying the heaviest defense load by far, the U. S. is called upon to furnish 18% of its gross output. As shown by these figures, there is certainly room for improvement by the other powers. However, a dollar shortage still exists among the Western European nations and the lack of resources for providing their own raw materials makes any substantially larger contribution more dubious.

Private Investment Abroad Urged

To alleviate the dollar scarcity abroad so that Western Europe eventually can offer far greater support to the rearmament cause, the U. S. government is fostering the overseas investment of private American capital. One stimulant is the accelerated arrangement of treaties with foreign countries avoiding double taxation. The International Bank for Reconstruction and Development has adopted a policy of relating many of its loans to the willingness and ability of the borrowing nations to finance part of the investment with private capital from the U. S. Among other effective measures are the Point IV program of technical assistance and the Mutual Security Agency guarantee projects assuring American corporations investing in foreign countries a return of 175% of their original capital.

The State Department believes that private investment abroad is the only real solution for promoting the long-range dollar earning capacity of Western Europe. Should domestic business some day expand the current annual rate of investing overseas from $1 billion to $2 billion—and this is highly improbable because of such risks as expropriation, labor difficulties and exchange handicaps—it is still a far cry from the $62 billion requested for defense in next year's budget. What then is the answer for diverting any pending financial chaos.

It is simply the creation of greater efficiency in government spending. The meat axe approach could be immediately applied to our sprawling Federal pay roll. In 1952 over 2.5 million government employees will collect a record $9.5 billion in pay from the U. S. Treasury. At the same time there is another 3.5 million people in the military services—an aggregate of nearly seven times the total government working force inherited from the Republican Administration in 1933. As clearly shown by the now-famed but little activated Hoover recommendations, overlapping of jobs exists on a large scale. Repeated evidence has been cited that three distinct agencies may be found preparing the identical report or handling the same routine business.

Regardless of which aspirant acquires the Presidency in November, a thorough house-cleaning is indicated. The trimming should begin with the 4.8 million civilian and military personnel in the Defense Department. Utilization of manpower is scandalously wasteful. Too many men are assigned to do too little. Moreover, the rate of turnover is now the highest in our history. From the remaining 1.2 million employees, it is believed that the most the government could discharge and still operate efficiently is roughly 200,000 persons. A savings of about $1.5 billion could be achieved in this manner. Another $1 billion could be shaved from non-pension benefits to veterans, but these would not dent the $62 billion outlay needed for security to any marked degree.

Part of the answer therefor, lies in reducing the actual spending for military supplies. It is alleged that we can still accomplish our defense aims by paring these expenditures approximately 20% to $49.6 billion—a cut of $12.4 billion. A fundamental alteration in our current foreign policy is not necessarily required to gain this end.

The present day fiscal controls on procurement are especially archaic and demand a thorough overhauling. A fantastic example of our multi-agency purchasing was recently uncovered when it was found approximately two dozen various branches of the government were placing direct orders for safety pins on an individual basis. If one central procurement bureau had been initiated, the savings alone from the reduced prices offered by bulk purchasing would have amounted to a considerable sum. This unguarded extravagance is repeated hundreds of times with considerably more costly items.

New Legislation Needed

To meet changing requirements, Congress should enact legislation to re-examine and revalue both past and present appropriations involving expenses to be distributed over a long period of years. It is estimated that almost $5 billion is now being wasted on military weapons rapidly becoming outmoded. This is especially true on unfinished airplane contracts.

Further streamlining of our military organization is a prime requisite to lowering our commitments. The Hoover Commission urged decentralization of our spreading militaristic bureaucracy and the strengthening of civilian control. Through the cooperation of expert military and civilian staffs, working tightly with Congressional committees, a system of selective and careful pruning could be installed. It would eliminate the wholesale slashing of arms that could easily weaken our position in the world and simultaneously encourage the spread of communism.

If we do not face the pruning issue squarely and astutely, we will be destined to live with endless deficits and "fifty-cent" dollars for years to come. That would be the road to eventual disaster.

Post-War Contributions by the U. S. Taxpayer

(in billions of dollars)

GRANTS	
E.C.A. Economic and Technical	$10.72
E.C.A. Military	2.05
UNRRA Relief	3.44
Civilian Relief (Occupied Countries)	5.44
Philippine Rehabilitation	.63
Greece-Turkey Military and Economic	.66
China—Military and Economic	.24
Lend-Lease	.70
Miscellaneous	.63
	$24.51
LOANS	
Loan to England	$ 3.75
Other loans	5.92
Surplus Property	1.33
Lend-Lease	.07
	$11.07
Total Grants and Loans	$35.58

GOVERNMENT MESSES AROUND IN STEEL STRIKE

By E. K. T.

OFFICIAL propaganda on a worldwide scale was begun by the United States 10 years ago this month when President Roosevelt created the Office of War Information and one decade later the issue "is it good or bad" is just as alive as when Elmer Davis left his microphone to set up the system. Fact of the matter is that the idea of "selling" democracy on a global basis cannot be carried out within the appropriations Congress has been reluctantly making and it's possible to point out numerous defects which ride with inadequate financing. The contesting sides will carry on and the cry of not enough money will continue. But it isn't a minor venture; it involves 86 million dollars a year, personnel of 11,500!

GOVERNMENT employees through their adequately financed lobbies may yet defeat the move for reduction in Federal personnel. Congress had been moving with directness: one bill would order departments to replace only one out of each four vacancies which arise in the next fiscal year, another proposed a 10 per cent cut in Federal employment, and a third would fix the cut figure at 25 per cent. Now there's great likelihood that the entire subject will be turned back to the Budget Bureau with instructions to work out a reduction program. The Bureau may be strong for slashes on reclamation projects and the like but it's too much to ask government personnel to indorse government personnel cuts.

REGARDLESS of the time of settlement of the steel strike, it could have no other effect than to delay the day of decontrol. Each day of stalemate increases that certainty. And in spite of optimistic spots it was fundamental in the negotiations that management and labor might have gotten along faster if the government intervention wasn't present. While military needs were to be supplied, more than 70 types of civilian consumption were cut off. Their inventories were evaporating to the point of complete disappearance. It will take time to replenish and during that period it will be deemed wise to watch distribution carefully. That means only one thing: longer controls.

BOX-SCORE on reaction to public housing projects reflected in votes taken either in direct balloting or through mayoralty or council actions isn't encouraging to those who favor construction of dwelling units out of general funds—federally or locally raised.

WASHINGTON SEES:

Probably because General Eisenhower has become a politician in the flesh instead of one in absentia, candidates of all degrees and their supporters have suddenly blossomed as military experts and some of their assertions are, to be mild about it, amusing even to the amateurs.

This is especially true of their commentaries on air power. Senator Taft is particularly vehement in his insistence that the United States be supreme in the air—but he appears to believe this can be accomplished without spending money, wants the military budget slashed in the face of recommended multiplied disbursements. His position was more consistent when he voted against expansion of the Air Force to fifty-eight groups and later cast a negative vote on extension to seventy groups.

And President Truman has stated as a fact that Russia has 20,000 combat planes compared to 6,000 in operation by the American military arms. Just how the information as to the Soviet air strength came into possession of the President remains unexplained. Stalin's desire to be cooperative in the exchange of such data has not been noteworthy.

Burden of informed opinion is that Russia probably is ahead of the United States both in equipment and existing productive capacity and whatever Congress does to overcome the advantages by larger appropriations won't be reflected in flying craft for at least three years. No wonder the American public is baffled by the confusion in military procurement. Something is certainly wrong in the picture. Maybe a change in administration will provide the needed cure.

As We Go To Press

There were strong political overtones to the debate in Congress on financing the Mutual Security Act and under such conditions it is easy to lose the basic theme but the ultimate decision was a great victory for those who believe that a strong, united Europe is essential to an improved worldwide economy and to peace. Some of the legislators who cling to isolationist ideas exercised their democratic right to express themselves to the bitter end. Their arguments merited listening — the entire program is built upon hope rather than experience — but majority ruled and the North Atlantic Treaty Organization was given a needed financial transfusion.

The action has long range implications. It was a simple thing for congressmen to express in flowery rhetoric the wisdom of maintaining friendly relations with democratic nations abroad. But to finance NATO involves a commitment that doesn't find its discharge in the bang of the gavel at day's end. And the lawmakers seemed conscious of the stretch-out involved; took seriously the realization that by voting NATO support they were inviting many countries to arm, to plunge into economic pools in which they could remain afloat only so long as support was available from outside.

In a sense the congressmen were called upon to determine whether a basic change should be made in international dealings. Loans to other countries on an individual basis were not new. (A good case could be made out against some of them.) But here was a situation in which a group of nations was involved — it was the biggest thing since the Marshall Plan evolved, and even that plan was based, essentially, on allocations to listed beneficiaries and was not one creating a general pool. The problem was not entirely domestic; it embraced internal questions in much of the world: was it worth it to give up cherished autonomy to gain the benefits of NATO? At least to this extent, the United States had no problem. The legislators were not required to rule on whether any part of this government should be relinquished to a world organization; that issue wasn't raised, wasn't involved. Which probably explains the affirmative vote.

There is glaring difference between the stated position of many governors and mayors on the subject of centralization of government in Washington and their willingness to accept loans and grants from the Federal treasury. True, many of the financed operations are essentially federal in character and imposed upon the states and cities by legislation. But local officials who come to the Capital to protest enactment of bills invading local functions — "control follows the dollar," they usually say — remain around to visit the agencies which disburse the available grants.

A recently conducted private study disclosed that grants-in-aid from the Federal government to states and local governmental units in 1949 totaled 1,885 million dollars and covered 42 separate programs. The federal participation really hit its stride during the depression and recession period of 1930 and 1939 -- understandably, because the states and cities were too close to their statutory borrowing limits to undertake huge job-creating programs whereas Congress recognized no such problams.

All of which is bringing about a revival — a periodic one -- of the agitation for creation of a council to work out a demarcation of tax boundaries between state and federal governments. The subject is far from new; it's been gone over many times, occasionally seems likely to be adopted -- then crumbles. States, through their fiscal officers, have pointed out that they could get along with little or no federal "aids" if given the opportunity to levy heavier taxes on liquor and a few other commodities (a few states probably could finance the entire federal operation if given exclusive liquor and tobacco taxes), but the answer from Congress has been "no." They can't stand to see that much money doled out in legislative halls other than their's.

President Truman's dramatic appearance before a special session of Congress to ask seizure powers and end the steel strike brought exactly the reaction his advisers told him would result. It cemented opposition which had loosely allied up to then. In an election year, it's not politically unwise to suggest that the working man has been made the goat of court decisions and that corrective measures should be taken via the statutory route. This one, however, went too far. Congress balked, formed lines that will hold against any but the most restricted seizure law.

Washington newspapers have joined in an editorial campaign to convince banking, investment and brokerage houses that they would be better off in Washington than in "the tax hungry municipality of New York." The argument runs to the effect that this already is the greatest center of activity in the commodities with which the firms deal. Pointed out, too, without attempt to classify it as for better or for worse, is the fact that the dealers would be closer to the Securities Exchange Commission. Boston also is a competitor for the honor of housing the banking fraternity. From the general tone of editorial discussion it's pretty clear that the campaign is strictly of tongue-in-the-cheek class and that nobody expects anything to come of it.

General Eisenhower is going to be called upon to do some fast talking or slow explaining when his expressed stand for less military expenditure comes under examination. The Presidential aspirant has said the outlays should be slashed but he hasn't answered several elemental questions: by the direct route of cutting appropriations and forcing changes in the overall pattern, by requiring a larger degree of efficiency and if so how it is to be done, or by a policy of this far and no further? Federal economy naturally will be key words in all campaign headquarters but the General will be faced with the reminder that his principal rival for the GOP nomination, Senator Taft, has been a bit more specific, in fact has been criticized for his stand on the costly militarization plan for which Ike has consistently argued.

However, with the national convention just around the corner it is difficult to escape the observation that most of the candidates seem more determined to defeat themselves than to win the coveted nomination. The Texas delegates selection fiasco may have done Taft irreparable harm. However able General Mac Arthur may prove as a keynoter, the fact remains that the charge of steamrollering will be effectively raised by the Eisenhower bloc. Choice of Walter S. Hallanan as temporary chairman, lends fuel to the fire. Bouncing of Rep. Charles Halleck of Indiana, off his state's delegation doesn't set well and it firms the conservative wing of the GOP with the blame going against Senator Homer Capehart of that state whose appeal to voters not already in the party's fold is not too strong.

One conclusion is inevitable: Senator Taft is completely confident he will top the ticket. That confidence is not universal among the party leaders here. Some of them have been around long enough to remember a convention in Chicago 40 years ago at which Taft supporters (in that instance, the backers of the Senator's father) were riding high-and-handsome -- so much so that they divided the party and Woodrow Wilson became the first democrat to reside in the White House in this century. History could repeat.

Existing world conditions have turned the labor market into a seller's market as colleges turn an estimated 300,000 graduates out this month. The U.S. Department of Labor (supported by statistics compiled by the Office of Education) sees little chance of employables spending much time knocking on doors. The fact that military deferments will be up for thousands when they doff their caps and gowns and put the sheepskin in the attic trunk, isn't going to be the determining factor; there just is need for additions to the work force on the higher levels of training. Colleges report that many of their seniors have been recruited for jobs months in advance of the June graduations. That's been especially true of engineers.

The Brandenberg Gate in Berlin, the demarcation point between the Soviet-controlled section of the city and the British. Over the famous monument flies the hammer and sickle, a grim Russian warning.

Photo by German Tourist Information Office

Germany's Fateful Entrance

—Into Western Europe Coalition

By V. L. HOROTH

The signing of complex conventions and instruments in Bonn and Paris during Decoration Day week was greeted throughout America, but less so in Western Europe, with inspired editorials about "the dawn of a New Europe" and "the reversal of the partition of Charlemagne's Empire which took place more than a millenium ago." Now that the fanfare has died down and the diplomats are safely home, let's see what really happened in Bonn and in Paris, and how much nearer we are to that elusive goal of a European Defense Community.

Though Western Europe has learned how to cooperate in many little ways, the big postwar projects appear to be running constantly into unexpected difficulties. The Benelux economic merger, now nearly eight years old, has not progressed beyond the stage of a limited customs union. The integration of European markets, advocated some five years ago by Mr. Paul Hoffman of E.C.A. fame, never got beyond the European Payments Union, now nearly frozen for lack of funds. The Schuman Plan for unified Continental coal and steel markets was advanced two years ago. Although ratified, it is reported to have struck a snag: the Germans insist that the partially dismantled Thysen Works be put into operation.

The Pleven Plan for a unified European army was first broached in the fall of 1950 under the threat of communist invasion. It has taken the form of a Treaty for the European Defense Community, to which Germany was admitted several weeks ago as a full-fledged partner. But how long it will take to have this "shotgun wedding" type of a treaty ratified is anybody's guess. As one British official recently sarcastically remarked, referring to the Russian gift for doing the wrong thing at the wrong time, "the Russians will help us out, they always do."

One reason why the ratification of the first document, the so-called "peace contract," is bound to run into difficulties is that many problems have been left unsolved. For example, no decision was made about the Saar. This means that the bickering between the Germans and the French over this valuable piece of real estate will go on. Certainly Washington's hopes of Franco-German cooperation are premature.

Second, the Western Allies have, under the peace contract, retained the *right to negotiate with the Russians over Germany's unification and the fate of West Berlin.* The Germans resent bitterly that this decision to reunite does not rest with them. They complain that their interests are being sacrificed—and they undoubtedly are, since the security of the whole free world is involved—to the interests of the East and West blocs, and that they are still being treated as occupied, defeated democrats, lead by boldly anti-communist Dr. Kurt Schumacher, that German participation in the European army is the

right way—unless the East German communists, by their blunders, help the West Germans to make up their minds.

With the above and a few other minor exceptions, the "peace contract" restores to the Germans the sovereign powers which they have not as yet had. They have already been enjoying almost complete sovereignty in financial and economic matters. When the peace contract is ratified, the Allies will no longer have anything to say about such matters as the return of property stolen by the Nazis or the settlement of the prewar debt. All these matters will have to be negotiated with the Germans. Since many things have been left unspecified, here is a source of many future headaches.

The Decartelization Laws

One such headache may be the treatment of American business men in Germany. According to the treaty, they are not supposed to be discriminated against; they are now "immune" from a capital levy for the next two years. But the Germans are already agitating that the "rich Americans" should pay this levy, the proceeds of which go to those who lost their property during the war.

Another question is what the Germans will do about their decartelization laws, now that they have almost complete sovereignty. Will the Germans repeal some of these laws? If what is now happening in Japan is a criterion, then some of these laws will no doubt be modified, particularly if the going gets tough in international trade.

Once the peace contract is ratified, the Allied High Commission no longer will have any say about the quantity of steel that Germany can produce. The matter will then be up to the Schuman Plan partners. But suppose the "High Authority" of the Schuman Plan had not been set up: What then? The Germans will also be able to build ships and operate commercial airlines. There certainly will be more competition for trans-Atlantic business. The Germans will also have the right to manufacture certain weapons, such as tanks, artillery, and light weapons, but not war chemicals, military planes, or atomic weapons.

Furthermore, there will be no one to watch over the trade between Western and Eastern Germany. It will be entirely up to the West Germans whether they want to cooperate in the embargo on strategic shipments. American dollar aid may keep them in line, but if the international situation should deteriorate and the West Germans find it more and more difficult to trade with the Free World, who will stop shipments of steel and machine tools across a line that every patriotic German abhors?

When the "peace contract" is ratified by the parliaments of the signatory governments, German occupation status will end. The zones will disappear and Germany will begin to deal with the West through ambassadors rather than high commissioners. Western troops in Germany will become "friendly armies." Germany has agreed to pay toward their maintenance some $200 million a month up to June 1953. After that date these contributions are gradually to disappear. The British are already worried, in view of their foreign exchange situation—the Deutschemark being a hard currency in respect to the pound sterling—how they will maintain their "Rhine army" in Germany. Already they are suggesting that we foot the bill. This is one illustration that we are not escaping any problems. Some old problems are simply being replaced by new ones.

Defense on the Elbe

The 50-year military treaty which was signed in Paris provides for the creation of the European Defense Community (E.D.C.) within the scope of the N.A.T.O. and, incidentally, makes us now liable to defend Germany on the Elbe River, rather than on the Rhine or in the Pyrenees. There will be German generals on the staff of this army to which Germany is to contribute eventually—meaning, by about 1955, if the treaty is ratified by the end of this year, some 400,000 soldiers, organized in about 12 divisions. It was decided "for the sake of tactical and organizational necessity" that these divisions be organized on "a single nationality basis" and that a part of them be kept permanently at home—in their respective countries.

This is where the trouble comes in and why so many Frenchmen and other Europeans who ran up against the German Wehrmacht during the past 30 years are so unhappy. They fear that some day the West German Army, when it feels strong enough, may disentangle itself from the European army and secede. But even if this does not happen and the Germans stand by their word, the other Europeans argue, the German divisions will be the strongest part of the future European army and will come to dominate it. Certainly, they say, 12 highly trained German divisions will carry much more weight than 12 Italian divisions. Besides, with the bulk of the French army serving in Indo-China and other parts of the French Union now threatened with disorders,

Western Germany: Economic Progress Since the War

	Industrial Production	Per Capita Production	Steel Output (mil. tons)	Coal Ouutuput (mil. tons)	Employed (Monthly Average)	Unempl. (Monthly Average)	Nat. Income (Bill. DM)	Cost of Living	Dollar Balances ($000,000)	Money Supply (Bill. DM)	Motor Vehicles (000)
Prewar	100[1]	100[1]	......	137[3]	17.9[3]	....	71.5[2]	100[2]	......	......	174[1]
1946	37	......	......	54	......	....	......	......	7	......	......
1947	42	......	3.1	71	......	....	......	......	90	......	......
1948	62	53	5.6	87	......	.8	30.0	......	179	11.5	30
1949	90	72	9.1	103	13.5	1.3	64.5	161	149	13.8	104
1950	114	90	12.1	111	13.9	1.6	72.5	152	222	15.8	216
1951	135	109	13.3	119	14.6	1.4	90.0[5]	165	406	18.6	267
4th Quar. 1952	142	114	14.3	122[4]	14.6	1.4	......	170	406	18.6	274[4]
1st Quar. 1952	136	......	15.2	127[4]	......	1.8	......	180	362	18.2	280[4]

[1]—1936. [2]—1937. [3]—annual rate. [5]—estimated.

who will oppose the Germans? The British have their armies dispersed and there will be only the American troops.

Hence, unless the United States is willing to contribute more to French and British defense expenditures in order to build up the armies of these two countries, or unless we are willing to take over in some of the over-extended positions of Great Britain and France in Southeast Asia or the Middle East, we may see the issue of the German army being postponed indefinitely by the French Parliament. In fact, Mr. Walter Lippman recently went as far as to suggest that the German problem might endanger the whole N.A.T.O. system. Here again new headaches have merely replaced the old ones.

Unity Ranks First to Germans

Though the Germans at present give the impression of being cynics in domestic and foreign politics, "German unity has always been ranking first on the scale of value of German feelings and desires," wrote recently the leading German economic publication, the Wirtschaftdienst." "German unity has become the irrevocable ideal of every German's patriotic longing for over 80 years," and, one may add, it is still. The Russian offer is very tempting. Stripped of the diplomatic verbiage, it ran something like this: We don't mind your joining with Eastern Germany and becoming a democracy in the Western sense, but you must abstain from joining the E.D.C.

That the West Germans did not fall for this unification offer was probably due to (1) the natural distrust of the Soviet Union, (2) the fact that the Russians offered no concession in respect to the eastern boundary. The future of the lands beyond the Oder-Neisse line is a burning question for millions of refugees who more or less hold the balance of power in the Bonn Parliament. (3) *A united but disarmed Germany*—with the American several thousand miles away and the Russians only a few hundred miles away—*would leave the country at the mercy of the Russians* who would be tempted at some later day to stage a communist putsch, such as was carried out in Czechoslovakia. (4) The most important of all, the German vote against joining the E.D.C. would have meant a vote now for the unification. At this stage of international tension, the Allies would have disregarded such a vote and proceeded to tighten the occupation regime. This was the last thing the Germans wanted after seven years of occupation. A vote for the E.D.C. and against unification now, gave the West Germans a chance to become the masters in their own house.

Germany on Way to First Rank

By becoming the masters in their own house, by becoming sovereign, the Germans feel that they can once more become a strong powerful country, able to take into *their own hands the solution of the unification problem, without running the danger of being swallowed by Russia.*

Thus the unification issue is not dead. It is merely postponed until the time when West Germany is again a major European power. The Germans are on the way to becoming such a power now, thanks to (1) hard work, and (2) adherence to free economy. Since the currency reform in 1948, the Germans have been resolutely adhering to the principles of free economy with astonishing results. There are no subsidies or controls. The German mark is considered one of the hard currencies. After being cowed and taking orders during the Nazi era, German industrialists and businessmen have regained their entrepreneurial spirit to a surprising degree. As will be seen from the foreign trade figures, they have done an excellent job in regaining their former markets. They have proved to be more than a match for British and French exporters.

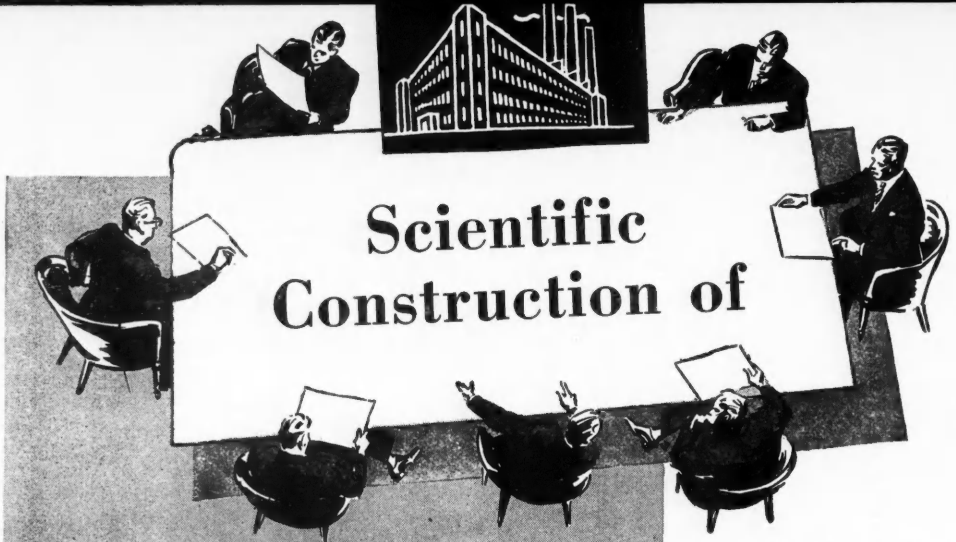
Western Germany: Prewar and Postwar Trade Pattern
(In Millions of Dollars)

	1937	1948	1949	1950	1951	1952 1st Q.
EXPORTS TO:						
United Kingdom	......	95	102	86	209	......
France	......	166	219	181	288	......
Benelux	......	173	220	436	582	......
Other West. Europe	......	194	337	643	1,066	......
Total O.E.E.C.	887	628	879	1,346	2,145	......
United States & Canada	68	33	53	102	261	61
Latin America	193	3	27	127	322	86
Middle East	......	3	13	41	77	......
Other Asia	......	8	35	87	210	......
Communist Orbit	288	22	61	129	173	......
All Others	......	9	61	149	286	......
	1,663	706	1,129	1,981	3,474	943
IMPORTS FROM:						
United Kingdom	......	152	53	116	118	......
France	......	84	76	207	192	......
Benelux	......	88	242	392	388	......
Other West. Europe	......	134	374	638	744	......
Total O.E.E.C.	527	458	745	1,353	1,442	......
United States & Canada	86	904	845	440	698	232
Latin America	238	43	109	148	267	105
Middle East	......	9	30	85	155	......
Other Asia	......	16	138	200	331	......
Communist Orbit	254	23	107	114	152	......
All Others	......	128	273	360	458	......
Total	1,429	1,581	2,247	2,704	3,503	1,029

As to hard work, there seems to have been some kind of instinctive understanding on the part of all Germans that only through hard work would their country become strong and independent again. The management-labor relations, up to recently, have worked more smoothly than anywhere else in Europe. There have been very few strikes, for example. It is claimed that the German worker, because of his intelligence, has a sense of understanding for the problems of his employer. We may soon find out whether this is right or not. A law passed by the Bonn Parliament early this year will give workers in coal and steel industries a 50 per cent share in active management. Labor will name half of the board of directors and share in policy making and profit allocations.

Serious Problems Ahead

Though the people returning from Germany talk about more consumer goods being available in stores than either in Great Britain or France, and at lower prices, about heavy motor traffic on German roads, and about the building boom which has no equal in neighboring countries, Germany still has many serious problems. There are several millions of unassimilated refugees and (*Please turn to page* 400)



Scientific Construction of Investment Portfolio ...Today...

By PHILLIP DOBBS

The investor intent on obtaining maximum results from his investment program finds that the problem to-day has become extremely complicated. This is due principally to two causes: one, the cheapening of the dollar and its important effect on the real value of income and, second, the reduction of net yield produced by high income taxes.

Unless these two great changes are taken into account, investment programs instituted at this time are likely to become ineffective over the long range. It is obvious, for example, that the possessor of a large income—from sources other than securities—can no longer afford to acquire securities solely for the purpose of adding to income, since any additional amount of income thus obtained is penalized by the rising scale of income taxes as the higher brackets are reached. Hence, for this class of investor to purchase securities mainly for the maximum gross income obtainable is no longer sensible, as the larger the total income the smaller the percent of yield after taxes are paid.

Investors in the more substantial brackets, those whose annual earnings—aside from security income—are $15-$20,000 and above, cannot implement their investment programs effectively unless their investments are made with direct reference to their tax position. It is not so much the cash return from investments which is of prime consequence in such cases as the net return—after taxes.

For investors in this class, therefor, it would prove fruitful to re-examine their portfolios from this aspect. They will find, undoubtedly, unless they have had the foresight to arrange their investments in accordance with modern requirements that their net return is lower than they actually believe to be the case.

For those in the lower brackets, however, the factor of income taxes is of considerably less importance. Hence, they are much freer to seek as large an income from securities as possible, compatible with ordinary requirements such as reasonable correctness in the individual selections from the standpoint of dividend safety, financial strength and the other usual elements entering security evaluation.

Together with the effect of high taxes on income, the investor must consider the enormously important factor of the now much cheaper dollar as compared with the years before the war. There was once a time when the truly conservative investor placed his funds only in high-grade bonds, and many trustees have been criticized for still clinging to this outworn concept of obtaining maximum security. It follows that those who have persisted through the years in stubbornly maintaining a full position in fixed-income bearing securities have rendered themselves and their trusts a great injustice.

It is obvious that the great changes in our economic life in the past decade and a half have completely invalidated the older principle that the greatest safety could only be obtained from the highest grade bonds. A simple calculation will prove the truth of this assertion. Anyone who has held bonds throughout the period since before the war has incurred a depreciation of about 50% in the real value of his securities and a decline of equally substantial proportions in the purchasing power of the income derived from such investments.

Why Reserves Are Needed

Bonds, of course, have their place in security portfolios to-day but they occupy a much less important function than formerly. Should any further important depreciation in the value of the dollar take place, say in the next decade, the real value of bonds would be proportionately affected. This is the basic reason why stocks are so much more important than bonds in investment portfolios to-day.

Bonds in a well constructed portfolio should be included mainly as part of the necessary reserve. In the accompanying table, for example, which has set up a $100,000 portfolio, 30% has been set aside for reserves in short-term and tax-exempt issues. They have been so reserved in order to furnish adequate funds in the event a major decline in the market provided an opportunity for "dollar averaging." This is the method by which investors distribute the

timing of the purchase of carefully selected stocks according to the price levels at which they sell. Needless to say such forms of "averaging" should be limited to stocks of the strongest companies. Reserves are also needed by smaller investors for the same purpose. This is indicated in the table illustrating the $25,000 portfolio.

Before describing the two portfolios in the two accompanying tables, one, for persons of moderate, and the other for persons of more substantial means, it is necessary to state that while the general objectives are similar they differ in degree. In the smaller portfolio, the emphasis is on income, and in the larger, on capital gains. The object in the first case is to provide as much income as possible, a feasible project since the tax impact is smaller, and in the second, to reduce current income and simultaneously take advantage of the lower capital gains tax, which is 26% against the higher normal rates. Capital gains also *(Please turn to page 396)*

$100,000 Investment Portfolio

% of Total	Amount	Type of Investment	Number of Shares or Amount of Bonds	Price	Name of Security	Cost	Div. or Int. Rate	Yield %	Income
15%	$15,000 Cash Reserve	Short Term Notes, Savings Bank, etc.				$ 15,000	2%	2%	$ 300
For Reserve	(Reserved for "Dollar Averaging)								
15%	$15,000	Tax-Exempt Securities	$10,000	103	New York City 1969	10,300	2¾	2.6	275
For Reserve			$ 5,000	106	New York City 1977	5,300	3.0	2.8	150
	(Secondary Reserve for "Dollar Averaging")								
20% For Income	$20,000	Income Securities	100	151	Amer. Tel. & Tel.	15,100	$9.00	5.9	900
			50	95	Allegheny & Western R.R. (Guar. R.R.)	4,750	6.00	6.3	300
50% For Capital Gains	$50,000	"Growth" Stocks	100	121	Dow Chemical	12,100	2.40[1]	2.0	240
			150	46	Food Mach. & Chem.	6,900	2.00	4.3	300
			150	28	Merck & Co.	4,200	.80	2.8	120
			100	59	General Electric	5,900	3.00	5.0	300
			150	58	Phillips Petroleum	8,700	2.40	4.1	360
			200	64	Union Carbide & Carbon	12,800	2.50	3.9	500
						$101,500		3.7%	$3,745

1—Plus Stock.

How Taxes Affect $100,000 Portfolio

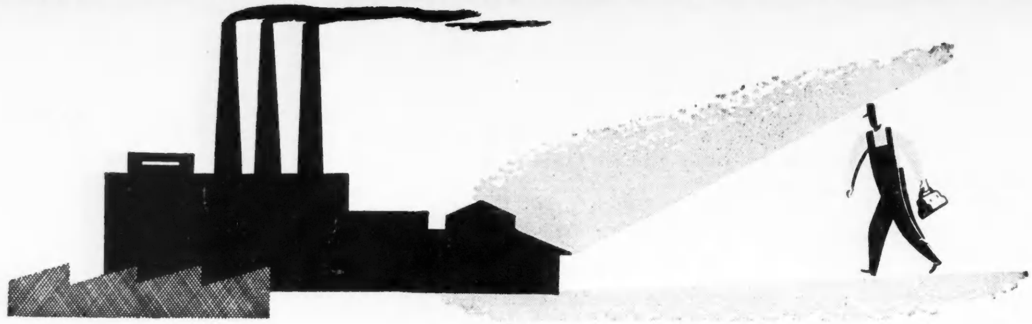
For individuals with taxable income from annual earnings as indicated below:	Combined Tax From Earnings	Cash Income From Securities	Taxable Rate on Security Income	Tax on Income From Securities	Net Income From Securities	Portfolio Yield Before Taxes	Portfolio Yield After Taxes
$18,000 Earnings	$4,692	$3,745	35%	$1,310	$2,435	3.7%	2.4%
$26,000 Earnings	7,812	3,745	43	1,610	2,135	3.7	2.1

$25,000 Investment Portfolio

% of Total	Amount	Type of Investment	Number of Shares	Price	Name of Security	Cost	Div. or Int. Rate	Yield %	Income
20% For Revenues	$5,000 Cash Reserve (Reserved for "Dollar Averaging")	Short Term Notes or Savings Bk., etc.				$ 5,000	2%[1]	2%[1]	$ 100
50%	$12,500	Income Securities	50	151	Amer. Tel. & Tel.	7,550	$9.00	5.9	450
For Income			25	95	Allegheny & Western R.R. (Guar. Rail.)	2,375	6.00	6.3	150
			25	103	N. Y. Chi. & St. Louis Pfd.	2,575	6.00	5.8	150
30%	$7,500	"Growth" Stocks	50	64	Union Carbide	3,200	2.50	3.9	125
For Capital Gains			30	46	Food Mach. & Chem.	1,380	2.00	4.3	60
			30	58	Phillips Petroleum	1,740	2.40	4.1	72
			40	28	Merck & Co.	1,120	.80	2.8	32
						$ 24,940		4.5%	$1,139

How Taxes Affect $25,000 Portfolio

For individuals with taxable income from annual earnings as indicated below:	Combined Tax From Earnings	Cash Income From Securities	Taxable Rate on Security Income	Tax on Income From Securities	Net Income From Securities	Portfolio Yield Before Taxes	Portfolio Yield After Taxes
$10,000 Earnings	$2,252	$1,139	27%	$ 308	$ 831	4.5%	3.3%
$14,000 Earnings	3,392	1,139	30	340	799	4.5	3.2



Companies with Expectations ...of Higher Earnings in 1952

By GEORGE W. MATHIS

Although first quarter earnings for many companies were in a decline either as a result of smaller volumes of business or by reason of higher taxes, there were a number of companies whose favorable position in their respective fields of activity enabled them not only to show resistance to the general earnings trend, but report net income for the first three months at a rate higher than that in the corresponding period of last year. We are listing 24 of these companies in the accompanying table. Five industries stand out in particular. The railroads are a good example of this favorable trend. Freight traffic over most of the rail lines, at peak levels in 1951, is expected to be satisfactory in 1952. Net earnings should show a corresponding growth reflecting increased freight volume, with the likelihood that such gains will be accentuated by the benefits derived from higher freight rates granted in late 1951, and the still higher rates which were approved by the ICC as recently as April of this year.

Since the end of World War II electric utility companies have been expanding at a tremendous rate. (We presented a comprehensive study of the electric light and power industry in our June 14th issue, to which we again call our readers' attention.)

Great Activity in Oil Industry

Aircraft manufacturers face a protracted period of peak operations. Present backlog of business for airframes and engines is placed at $20 billion, and estimates are that the entire program inaugurated right after the development of the Korean situation will involve by mid-1957, total expenditures of close to $70 billion.

The oil industry continues to work ceaselessly to increase output of crude and refined products. With approximately 52 million cars and 8.5 million trucks on our roads, demand for gasoline and lubricating oils should continue at current high levels. Coupled with this situation is the sustained industrial demand for industrial lubricants, as well as the necessity to stockpile against defense needs. The oil industry enjoys a favorable excess profits tax position and also has the benefit of liberal allowances under the tax laws for depletion and intangible drilling costs.

Machine tool manufacturers are expected to show material gains in net earnings in 1952. Shipments of machine tools has risen rapidly since the start of the Korean action, output in April, last, amounting to about $85 million, compared with $42 million in July, 1951. On the basis of April output, the industry's backlog is estimated to be equal to 15 months production, the bulk of which are "rated" or defense orders. To further strengthen the position of the industry as a unit and benefit those companies which have caught up with their backlogs, representatives of the machine tool makers have requested the NPA to permit the industry to accept "unrated" or civilian orders, which, if granted, is expected to produce a flow of new business for civilian account.

In the accompanying table listing 24 companies in diversified industries with earnings in the first quarter of this year surpassing those shown in the comparable three months period of 1951, are also given net earnings per share for the last two years, indicated dividend rates, and approximate yields at current market prices. Of the entire list of 24 issues, we have selected five as being among the most attractive. These selections are commented on as follows:

Ranking as one of the leading independents, *Sinclair Oil Corp.*, is a well integrated oil company, holding an important place in producing, refining and marketing of petroleum and its products, as well as in the producing and distributing of natural gas.

The company during the last five years has carried on a broad expansion program. It has increased its holdings of producing acreage from 209,617 in 1947,

to 286,333 in 1951. Undeveloped holdings, in the same period, have increased from a little more than five million to in excess of 9.7 million acres. Production of crude in 1951 was 37.5 million barrels, compared with 28.8 million barrels five years earlier. At the same time net income has mounted from $52.4 million to a high in 1951 of $81.8 million, or from $4.37 a share in 1947 to $6.78 a share last year and $5.81 in 1950. In each of the last five years per share earnings have been from two to three times annual dividend payments, and indications are that this high ratio of earnings to dividends will be well maintained in the current year.

Sinclair is continuing its policy of expanding operations, looking forward to achieving a crude production of at least 45 million barrels annually or to a level comparable with refinery capacities. During 1951, additions to properties, plant and equipment totalled $118.3 million, bringing total additions in the last five years to $478 million. As of December 31st, last, net working capital stood at $210.5 million.

Aircraft Parts Manufacturer

The Ex-Cell-O Corp., is a producer of component parts and assemblies for aircraft, including compressor blades for jet engines. Other products are cutting tools and broaches and special machines and parts. An important division of activities is the manufacture of Pur-Pak paper milk containers and the manufacture and leasing of Pur-Pak equipment to dairies.

In 1951, gross revenue from this division reached $10.3 million. Total gross revenues for the year were $60.2 million, this being 69% greater than 1950 gross of $35.5 million, and reflects stepped-up output of tools, jet engine compressor blades and other products for use in connection with the defense program. Net earnings of $4.4 million in 1951, were equal to $6.35 a share for the capital stock. Net earnings in 1950 amounted to $3.5 million, or $5.35 a share, compared with $5.05 a share in 1949. These earnings are after giving effect to a 50% stock dividend in April, 1950, and a 10% stock dividend in April, 1952.

Machines Perfected

Since the advent of the jet engine Ex-Cell-O has developed and perfected four machines for performing various operations on turbine blades for jet engine rotors. To meet demand for these and other aircraft parts, the company only this year put into operation at Lima, Ohio, a new plant having 171,500 square feet of floor space. The company is in a sound financial position, has expanded production facilities through putting earnings back into the business, and at the same time has maintained dividend payments without interruption since 1936.

International Telephone and Telegraph Corp., through subsidiaries operates telephone systems in Latin America and through other subsidiaries throughout the world is a large manufacturer of telephone, radio and other equipment. The company has been gradually expanding manufacturing activities, acquiring in 1951, the Coolerator Co., producers of refrigerators and freezers, and in 1952, absorbed the Kellogg Switchboard & Supply Co., a large manufacturer of telephone equipment and supplies. Other subsidiaries include American Cable & Radio Corp., which, through its subsidiaries, operates the largest American-owned international telegraph service: the Capehart-Farnsworth Corp., and the Federal Telephone & Radio Corp., engaged in manufacturing radio, radar, television and telephone equipment.

Largely reflecting satisfactory operations of the company's foreign subsidiaries and the activities of its domestic manufacturing divisions consolidated sales and net earnings in 1951 were the highest in I. T. & T's., entire history. Total income in 1951, amounted to $297.9 million, compared with $253.1 million in the preceding year. Net income in 1951 was equal to $2.60 a share for the capital stock which compares with $2.27 a share in 1950.

The growth of the domestic manufacturing subsidiaries is sharply defined by the fact that total sales in the last five years have more than doubled, expanding from $44 million to $90 million. Further economic recovery abroad should extend the favorable operating results of the foreign units and operations at home, particularly in electronics and communications equipment, should likewise continue to improve, especially in producing to meet defense needs. The improved operating results in 1951 resulted in the declaration in that year of a total of 60 cents in dividends, these being the first payments since 1932. Since then the stock has received payments of 20 cents quarterly.

The company materially improved its financial position during the year, and as of December 31st, last, current net assets of $256.3 million exceeded

24 Companies with Higher Earnings

	Earned Per Share 1st Quar. 1952	1st Quar. 1951	Full Year 1951	Full Year 1950	Recent Price	1951 Div.	Yield
Bendix Aviation	$1.72	$1.36	$5.58	$8.01	52	$3.00	5.7%
Blaw-Knox	.72	.38	2.55	1.99	17	1.25	7.3
Boeing Airplane	1.76	1.03	4.40	6.67	34	3.00	8.8
Bullard Co.	2.15	.85	5.55	3.17	34	2.50	7.3
Cincinnati Milling Machine	1.66	.47	4.75	2.70	32¾	2.05	6.2
Cleveland Electric Illuminating	1.19	1.05	3.68	3.40	52¾	2.60[2]	4.9
Commonwealth Edison	.77	.67	1.93	2.12	32	1.80[2]	5.6
Douglas Aircraft	1.66	1.40	5.76	6.01	60	3.00	5.0
Erie R.R.	1.02[1]	.77[1]	3.15	3.20	22½	1.75	7.7
Ex-Cell-O Corp.	1.52	1.30	6.35	5.05	46	2.00	4.3
Food Machinery & Chemical	.95	.79	4.01	3.35	45¾	2.00[2]	4.4
General Railroad Signal	.94	.65	3.92	4.18	31½	2.50	7.9
Gulf, Mobile & Ohio R.R.	2.11	1.23	5.42	6.92	34½	2.00	5.8
Gulf Oil	1.56	1.41	6.17	4.90	52¾	2.00	3.8
Illinois Central	4.08[1]	3.54[1]	12.51	20.62	73¼	3.00	4.1
International Tel. & Tel.	.66	.60	2.60	2.27	17¼	.80[2]	4.6
Lehigh Valley R.R.	1.81	.84	2.00	1.53	19½	.....	.....
National Supply	1.51	1.18	7.13	5.34	33¼	2.00	6.0
New York, Chicago & St. Louis R.R.	2.68[1]	2.55[1]	8.79	11.18	41	2.00[2]	4.9
Oklahoma Gas & Elec.	.40	.32	1.69	1.77	24	1.40[2]	5.9
Phillips Petroleum	1.37	1.26	5.11	4.24	57	2.40[2]	4.2
Republic Aviation	1.35	.40	2.92	2.34	17½	1.00	5.7
Sinclair Oil	1.72	1.52	6.78	5.81	45¼	2.60[2]	5.7
Standard Oil of N. J.	2.18	1.95	8.72	6.74	78½	4.12½	5.2

1—4 months ended April 30. 2—Indicated rate.

current liabilities by $136.5 million.

Basically, *Food Machinery & Chemical Corp.*, produces labor-saving equipment for use in the processing of milk, fruits, vegetables, meat, fish and frozen foods. This business is augmented by another important division in activities which involves the manufacture of agricultural equipment and supplies. Still, a third and a highly important division is the production of agricultural and industrial chemicals which are now contributing substantially to gross revenues and steadily increasing in scope and earning power.

Growth Through Acquiring Companies

The company has pursued a vigorous policy of expansion through acquisitions of companies operating in related fields and the further development of its established line of products. As a result, net sales in 1951, exclusive of $3.1 million classified as sales of military products, amounted to $142.8 million, compared with $96.7 million in 1950. Much of the food processing equipment in use is on a leased arrangement and income from this source in 1951, reached a new high of $5.7 million, an increase of 11% over 1950. Total revenue from net sales, including sale of military products, and income from leased machinery and processes ,amounted to $151.8 million, compared with a total of $101.8 million in 1950, an increase of 49%. Net income of $9.7 million, compared with $7.7 million in 1950, or $4.01 a share and $3.35 a share for the common stock in each year respectively. Results in 1951 were achieved despite flood losses at one of its chemical plants in Kansas and a shut-down of another chemical plant on the West Coast because of labor trouble.

Since the beginning of the current year, Food Machinery has acquired the Oakes Manufacturing Co., a leading producer of poultry and hog raising equipment; the Simplex Packaging Machinery, Inc., producing a special type of packaging equipment, and the Buffalo Electro-Chemical Co., a major producer of hydrogen peroxide. At the end of last year defense orders on the books amounted to $124.3 million. The company closed 1951, in a strong financial position, net working capital amounting to $58.8 million.

Maker of Railway Equipment

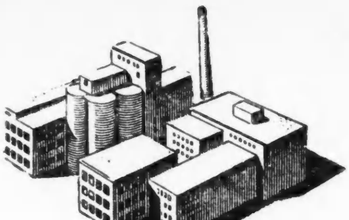
General Railway Signal Co., is one of the two leading manufacturers of signals, switches, communicating and other safety devices in use on steam and electrical railroads. Installation of original equipment produces repair and replacement parts which contribute materially to operating income. A subsidiary, Electrons, Inc., manufactures electronic products which are, in many instances, adaptable to railway signal and other devices of the parent company.

Normal business of the company has been materially aided by a ruling of the ICC that the railroads install block-signaling and other safety devices along approximately 45,000 miles of high-speed track. Net sales and operating revenue in 1951 reached $18.4 million, compared with $13.6 in 1950. Net income for last year, however, amounting to $1.4 million was off from the previous year by about $86 thousand notwithstanding that orders in that period were at a record rate, and were well diversified so as to permit efficient manufacture, with total shipments being 39% greater than in the preceding year. The decline shows the effect of higher taxes, resulting in net income being equal to $3.92 a share on the common stock, whereas per share earnings in 1950 amounted to $4.18. Unfilled orders on the books at the beginning of 1952 were understood to be sufficient to keep plants operating at capacity throughout the full 12 months, making it reasonably certain that 1952 net earnings should be, at least, on a level with those of last year, and perhaps somewhat in excess of those figures as indicated by results for the first quarter of this year. At the close of last year the ratio of current assets to current liabilities was three to one.

Other Companies in Strong Position

While the five companies described above seem in an exceptional position with regard to the possibility of increasing earnings during the coming year, it should be noted that a number of other companies listed in the table also seem to be in a promising position. Among these in the aircraft manufacturing division are: Boeing Airplane, Douglas Aircraft and Republic Aviation. In common with most of the other companies in this group, all three have immense backlogs and operations are commencing to increase substantially.

Among the other companies listed, the following in particular probably will turn in a better record for 1952 than last year: Bullard Co., Erie R.R., General Railway Signal, Illinois Central, International Tel. & Tel., Phillips Petroleum and Sinclair.



★ ★ ★

FIVE Undervalued Stocks —with Good Yields

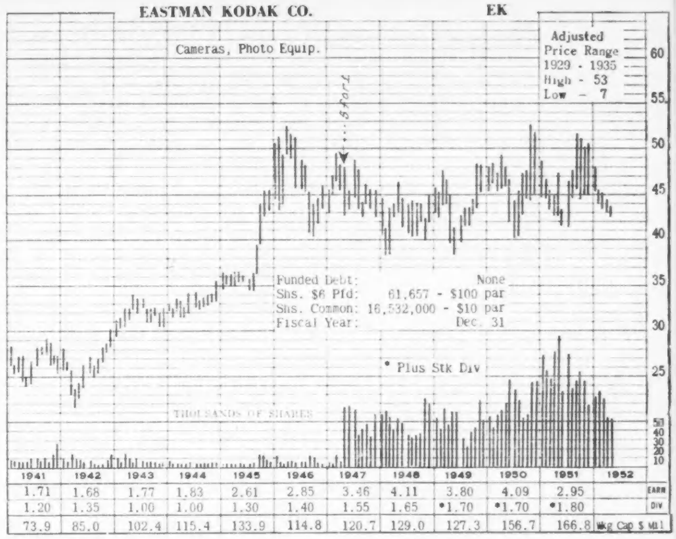
By OUR STAFF

Security markets today, as in the past, develop trends—up or down. Some issues, however, give ground reluctantly and not infrequently move against the price tide when it is on the ebb. The strength of such issues, marketwise, is to be found in the strong position of the companies in their respective fields; their sustained earning power over an extended period of time, and their ability, because of sound financial conditions, to maintain dividend disbursements.

At a time when a reversal of a general upward movement in business appears in process, stocks of this calibre represent attractive media to investors concerned with employing available funds for the primary purpose of securing a reasonably satisfactory income return.

Naturally, only a limited number of issues come within such a classification. Any selection, we think, should include the five stocks on which we present on this and adjacent pages some brief comment and condensed statistical data. Among our selections is Texas Gulf Sulphur which has a sustained record of earnings and dividends, and is now expanding production of sulphur for which the world demand exceeds the supply. Also in the group is Pacific Lighting which, through operating subsidiaries, wholesales and retails natural gas to the fast growing California area embracing Los Angeles and other large communities. We have also included in the group May Department Stores, one of the more aggressive and yet soundly managed companies in the department store field. Then there is Eastman Kodak, the leader in the photographic materials field, whose growth possibilities are enhanced by increasing activities in the organic chemical and acetate fields. Also in the group is First National Stores, one of the large food-store chains, having an excellent record of growth in an essential field.

With the exception of Eastman Kodak, currently yielding 3.7% not including occasional stock dividends, yields on these issues currently range from 5.1% to 6.5%. Prevailing market prices for each of the stocks are close to mid-way of the 1951-52 price range. In bringing these issues to our readers' attention we feel we are serving them in a practical manner, affording them the opportunity to exercise their judgment on the basis of accurate facts and figures.



EASTMAN KODAK COMPANY

BUSINESS: Long the leading name in photographic materials and equipment, Eastman Kodak has become an increasingly important producer of acetate staple fiber, micro-filming equipment, vitamin concentrates, acetate dyes, and organic chemicals.

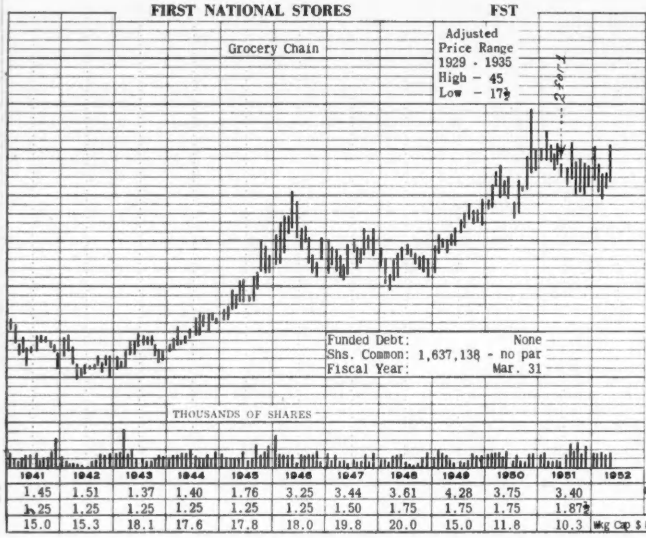
OUTLOOK: For years the name "Kodak" has been synonymous with photographic equipment and materials, sales of which, in 1951, were well ahead of the year before as a result of new or improved products and growing markets. Substantial gains also were recorded in sales of acetate fibers and dyes, Tenite plastic, industrial chemicals and other products. Reflecting this growth in diversification of products and expanding markets, net sales in 1951, exclusive of $27.8 million in sales made to subsidiaries and branches not consolidated, rose to $514.3 million, surpassing 1950 sales by $82.9 million. Taxes in 1951, however, also showed an increase, mounting to $84.3 million, or about $23.8 million more than the amount exacted from the company in 1950. This tax rise, accompanied by higher costs, brought 1951 net earnings down to $49 million, whereas 1950 net was $61.8 million. As a result net per share of common stock in 1951 was equal to $2.75 a share, compared with $3.72 in 1950. These figures are after adjustment for 10% stock dividends paid in January of 1951, and 1952. Operating results for the first quarter of 1952, actually 52 cents a share, were down from 64 cents in the 1951 first quarter. This can be accounted for by a drop in sales at the Tennessee Eastman plant resulting in higher costs there. The company continues to improve plant facilities on its pay-as-you-go policy and without the aid of outside financing. The 1951 program involved about $40 million and embraced completion of the first units of the new Longview, Texas, chemical plant which got into operation in January of this year. Similar expenditures are planned for the current year. The company continues to maintain its usual strong financing position. At the close of 1951, current assets of $246.6 million exceeded current liabilities by $169.4 million.

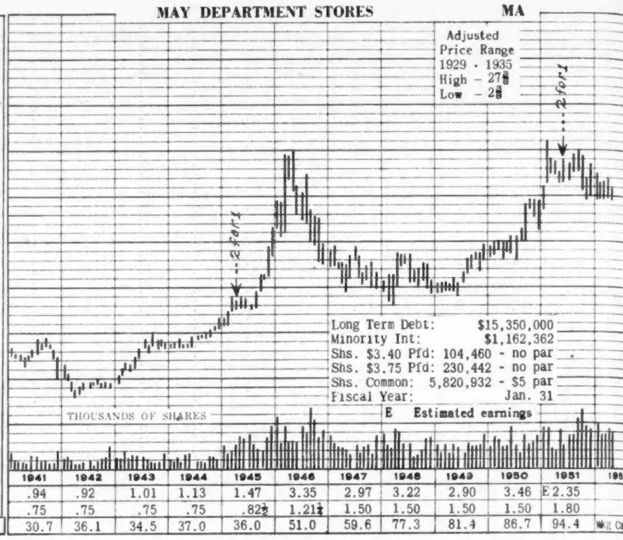
DIVIDENDS: The current quarterly rate is 40 cents a share, although dividends in recent years have been in varying amounts and accompanied by an annual stock dividend.

MARKET ACTION: Recent price—42⅞, compared with a 1951-52 price range of High 48, Low—37⅜. At current price the yield, based on cash dividends, is 3.7%, without considering stock dividends.

COMPARATIVE BALANCE SHEET ITEMS

	December 27 1941	December 30 1951 (000 omitted)	Change
ASSETS			
Cash	$ 32,744	$ 26,979	—$ 5,765
Marketable Securities	25,543	35,369	+ 9,826
Receivables, Net	17,027	57,618	+ 40,591
Inventories	50,871	124,130	+ 73,259
TOTAL CURRENT ASSETS	126,185	244,096	+ 117,911
Net Property	95,649	207,505	+ 111,856
Investments	11,295	6,932	— 4,363
Other Assets	874	2,538	+ 1,664
TOTAL ASSETS	$234,003	$ 461,071	+$227,068
LIABILITIES			
Payables	$ 12,196	$ 53,580	+$ 41,384
Accrued Taxes	33,804	14,541	— 19,263
Dividends Payable	6,283	9,110	+ 2,827
TOTAL CURRENT LIABILITIES	52,283	77,231	+ 24,948
Reserves	14,670		— 14,670
Preferred Stock	6,166	6,166	
Common Stock	99,040	165,365	+ 66,325
Surplus	61,844	212,309	+ 150,465
TOTAL LIABILITIES	$234,003	$ 461,071	+$227,068
WORKING CAPITAL	$ 73,902	$ 166,865	+$ 92,963
CURRENT RATIO	2.4	3.1	+ .7





FIRST NATIONAL STORES, INC.

BUSINESS: The company operates approximately 922 retail food markets, including 269 self-service stores and 328 self-service super-markets scattered throughout the New England states with the exception of 23 units situated in Westchester County, N. Y.

OUTLOOK: By a process of elimination and modernization, First National has kept in step with the trend toward self-service and self-service super-markets retailing meats and groceries. This policy has enabled the company to divest itself of a number of old-fashioned units with relatively high operating costs and concentrate more on the efficient, modern type of market which has become so popular with the buying public. Since 1942, the company has reduced the number of stores in its chain from 1,748 to 922 at the end of March, 1952. Ten years ago the average sales of each of the stores then in operation amounted to $99,759, and the average income of these units, before depreciation and income taxes was $2,782. With 922 stores, average sales per unit in the last fiscal year were $441,185, and average income, before depreciation and income taxes, was $18,926. Total retail store sales in the earlier year aggregated $174.3 million. In 1952 fiscal year, sales of $406.7 million set a new high record. Net income in 1942 amounted to $2.3 million and in 1952, totalled $5.5 million, although the latter figure was below the $6.1 million in the 1951 period, and $6.9 million in the preceding fiscal year. Failure of net income to keep pace with 1952 record sales can be attributed largely to higher taxes and price restrictions which have not only held profits to a narrow margin but imposed operating difficulties, creating increased operating expenses. Net results for the year were equal to $3.40 a share for the common stock. That figure compares with $3.74 a share earned in 1951, $4.27 in 1950, and $3.61 a share in 1949 fiscal years. There is no preferred stock or funded debt. During the last year bank loans were reduced by $5 million to $3 million now outstanding. The cash account was increased from $9.4 to $12.1 million and working capital stood at $10.3 million.

DIVIDENDS: Since the 2-for-1 split in July of last year cash dividends have been paid at a rate of 50 cents a share quarterly.

MARKET ACTION: Recent price—39⅜, compared with a 1951-52 price range of High—42, Low—34½. At current price the yield is 5.1%.

COMPARATIVE BALANCE SHEET ITEMS

	March 28 1942	March 29 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 5,869	$ 12,114	+$ 6,245
Receivables, Net	736	763	+ 027
Inventories	20,464	23,419	+ 2,955
TOTAL CURRENT ASSETS	27,069	36,296	+ 9,227
Net Property	9,704	31,846	+ 22,142
Investments	376	256	— 120
Other Assets	747	5,046	+ 4,299
TOTAL ASSETS	$ 37,896	$ 73,444	+$ 35,548
LIABILITIES			
Notes & Accounts Payable	$ 8,421	$ 12,406	+$ 3,985
Accruals	947	380	— 567
Accrued Taxes	2,308	13,138	+ 10,830
TOTAL CURRENT LIABILITIES	11,676	25,924	+ 14,248
Reserves	594	1,180	+ 586
Common Stock	6,977	6,977	
Surplus	18,649	39,363	+ 20,714
TOTAL LIABILITIES	$ 37,896	$ 73,444	+$ 35,548
WORKING CAPITAL	$ 15,393	$ 10,372	—$ 5,021
CURRENT RATIO	2.3	1.4	— .9

THE MAY DEPARTMENT STORES COMPANY

BUSINESS: The company operates a group of 10 leading department stores in St. Louis, Pittsburgh, Cleveland, Los Angeles and other large cities, together with branches in adjacent territories. These stores, handling for the most part medium priced merchandise, are operated in keeping with the requirements of each area.

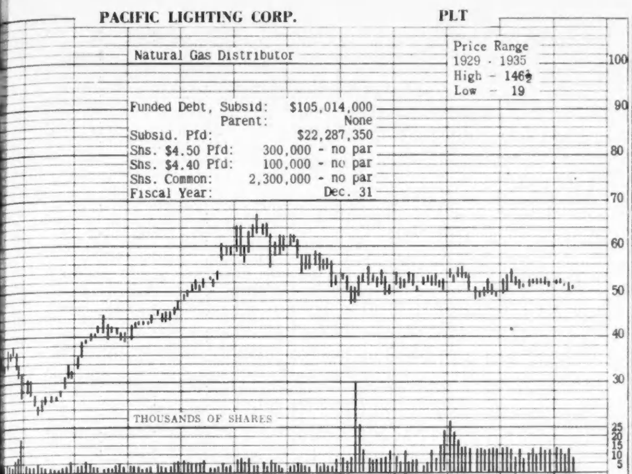
OUTLOOK: Sound merchandising policies coupled with well located retail stores and wisely planned expansion through opening of branch units are the primary factors accounting for the company's almost uninterrupted growth in the department store field. In the ten years to January 31, 1952, net sales of the company have climbed from $151.7 million, with net earnings of 91 cents a share, to net sales in the 1951 fiscal year $424.9 million, with net earnings of $2.47 a share for the common stock, after giving effect to the two-for-one split of the common stock in June of last year. Although operations in the fiscal year ended last January set a new mark in net sales, net earnings, stated on the basis of last-in, first-out for inventory, and after provisions for income taxes and minority interests, declined to $15.6 million, whereas net earnings for the previous year were $21.3 million. Of course, in the last year, profits of the company's stores were adversely affected by markdowns necessary to bring inventories into balance and by the increases in operating expenses. Because of the improved condition of the inventory it is not likely that markdowns will be as widespread or as large as those made last year. Moreover, the company did not have the benefit for the full year from operations of the new St. Louis "Southtown" branch as it was not until August that the doors of this new unit were opened. This has been followed by the opening in February, 1952, of the new Los Angeles-Long Branch "Lakewood" branch which, as with the "Southtown" branch, is expected to contribute substantially to net sales. The company's financial position is strong and under the present tax base can earn approximately $2.45 a share on the common without being subject to excess profits tax.

DIVIDENDS: Currently paying 45 cents quarterly on the common stock. After 2-for-1 split in 1951 paid a total of 90 cents on the new stock and $1.80 before the splitup.

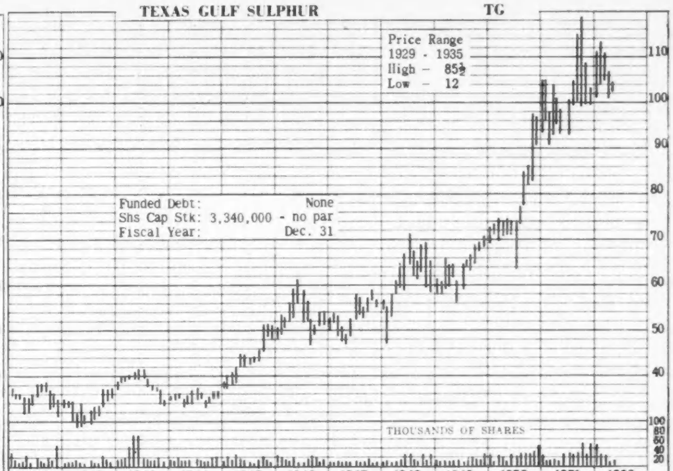
MARKET ACTION: Recent price—31, compared with a 1951-52 price range of High—36, Low—28½. At current price the yield is 5.8%.

COMPARATIVE BALANCE SHEET ITEMS

	January 31 1942	January 31 1952 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 8,395	$ 29,946	+$ 21,551
Receivables, Net	14,946	63,042	+ 48,096
Inventories	20,243	49,004	+ 28,761
Other Current Assets	768	3,559	+ 2,791
TOTAL CURRENT ASSETS	44,352	145,551	+ 101,199
Net Property	27,121	87,855	+ 60,734
Investments	1,393	629	— 764
Other Assets	1,856	7,769	+ 5,913
TOTAL ASSETS	$ 74,722	$241,804	+$167,082
LIABILITIES			
TOTAL CURRENT LIABILITIES	8,210	53,846	+ 45,636
Other Liabilities	559	....	— 559
Reserves	058	....	— 058
Long Term Debt	14,142	22,544	+ 8,402
Minority Interest	....	1,160	+ 1,160
Preferred Stock	....	33,262	+ 33,262
Common Stock	13,674	29,105	+ 15,431
Surplus	38,079	101,887	+ 63,808
TOTAL LIABILITIES	$ 74,722	$241,804	+$167,082
WORKING CAPITAL	$ 36,142	$ 91,705	+$ 55,563
CURRENT RATIO	5.4	2.7	— 2.7



	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	3.51	3.21	3.31	3.02	4.84	4.86	3.96	2.86	5.88	3.36	
DIV.	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	
Wkg Cap $ Mil	1.2	2.6	d2.2	d.8	d 4.9	d 7.9	1.3	d14.9	d4.7	d 6.2	



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952
EARN.	2.35	2.29	2.07	2.61	2.60	3.97	5.64	7.25	7.14	7.75	7.62	
DIV.	2.50	2.25	2.25	2.50	2.50	3.00	4.50	5.00	5.00	5.50	5.50	
Wkg Cap $ Mil	29.8	31.9	31.6	32.8	36.3	42.1	46.7	24.5	28.4	35.5	40.6	

PACIFIC LIGHTING CORPORATION

BUSINESS: A non-public utility, Pacific Lighting, through control of two public utility companies distributes natural gas at retail to domestic and commercial users, and under flexible contracts, services industrial users and others as well. The system, operating under franchises, covers 12 California counties embracing Los Angeles and other sizable communities.

OUTLOOK: The territory served has been experiencing consistent and rapid growth, particularly since the end of World War II. In the six year period to the end of 1951, domestic and commercial meters have increased by more than 464 thousand to a total of 1,639,463 meters as at the close of last year. Total revenues of the company have, of course, kept pace with this growth and for the year 1951, established a record figure of $124.4 million, compared with $114.6 million in 1950, and $68 million in 1946. Such growth, naturally enough, imposed upon the system the necessity of expanding its gas transportation and distribution system and installing other equipment in order to serve new customers and meet the greater demand for natural gas, the universal fuel in Southern California for practically all purposes. During the six year period the system deemed it necessary to make gross capital additions, betterments and replacements to the extent that approximately $206 million of capital has been invested for these purposes. Although operating revenue in 1951 was at a record high level increased costs pared earnings to $3.55 a share for the common stock, compared with $5.88 a share in 1950. To restore a proper balance between revenues and net earnings the operating subsidiaries have asked for rate increases. Some relief was granted in 1951, but this, it is held, was inadequate on the basis of higher costs and efforts are being continued to have gas rates adjusted upward to where they will be in line with inflationary costs of other commodities.

DIVIDENDS: Current quarterly dividends are being paid at the rate of $1.50 a share, a rate which has been maintained for the last 13 years.

MARKET ACTION: Recent price—50⅝, compared with a 1951-52 price range of High—54¾, Low—49⅜. At current price the yield is 5.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash & Marketable Securities	$ 6,159	$ 9,103	+$ 2,944
Receivables, Net	4,916	12,153	+ 7,237
Materials & Supplies	1,836	6,527	+ 4,691
Gas in Storage	417	1,385	+ 968
TOTAL CURRENT ASSETS	13,328	29,168	+ 15,840
Property and Equipment	200,758	411,283	+ 210,525
Investments	5,575	500	— 5,075
Other Assets	9,557	619	— 8,938
TOTAL ASSETS	$229,218	$ 441,570	+$212,352
LIABILITIES			
Notes & Accounts Payable	$ 1,783	$ 15,111	+$ 13,328
Accruals	1,604	3,766	+ 2,162
Accrued Taxes	8,707	16,507	+ 7,800
TOTAL CURRENT LIABILITIES	12,094	35,384	+ 23,290
Other Liabilities	063	1,463	+ 1,400
Depreciation Reserves	72,466	93,170	+ 20,704
Other Reserves	4,010	21,861	+ 17,851
Long Term Debt	50,854	116,458	+ 65,604
Preferred Stock	20,000	40,000	+ 20,000
Preferred Stock, Subsidiaries	22,260	22,287	+ 017
Common Stock	29,938	61,381	+ 31,443
Surplus	17,533	49,566	+ 32,033
TOTAL LIABILITIES	$229,218	$ 441,570	+$212,352
WORKING CAPITAL	$ 1,234	$	—$ 1,234
CURRENT RATIO	1.1	1.0	— .1

TEXAS GULF SULPHUR CO.

BUSINESS: Controlling the world's largest natural sulphur deposits Texas Gulf Sulphur ranks as the leading producer of this commodity.

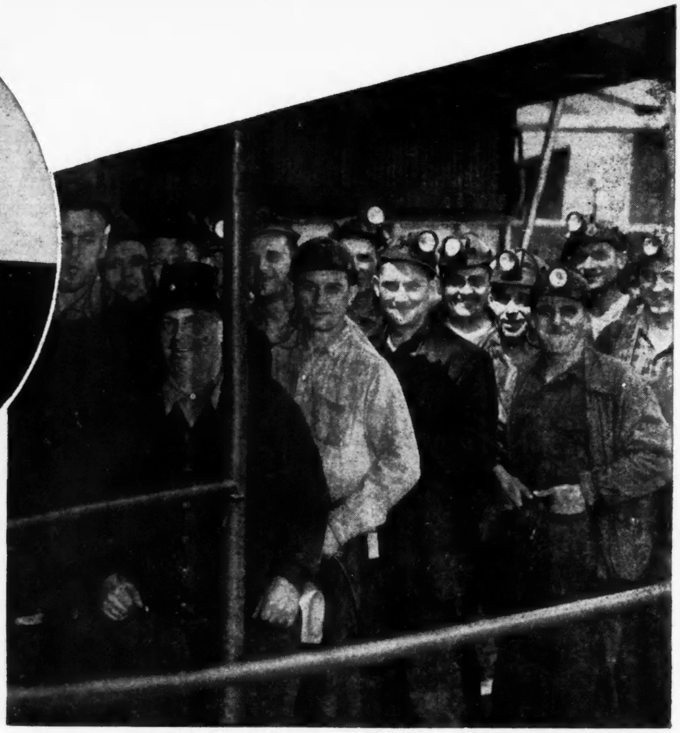
OUTLOOK: Notwithstanding steadily rising production, demand upon the company continues to maintain a pace in excess of its ability to produce. The principal producing property at Newgulf, Texas, has been operating for some time at a rate approximately 150% of normally expected capacity. In order to augment production, the company, in 1950, put into operation a plant for the recovery of sulphur from natural gas, commonly known as sour gas, containing hydrogen sulphide. In the meantime, it started construction of a new plant at the recently discovered commercial sulphur deposit at Spindletop Dome, near Beaumont, Texas. This plant went into operation in May of this year, but it is not likely to become an important contributor to total output for several months, at least. The company's sulphur sales in 1951, amounting to $71.6 million, were at a record high figure. Increased Federal taxes for the year, however, took their toll with the result that net earnings of $25.4 million equalled $7.62 a share, compared with net of $25.8 million or $7.75 a share in 1950. Operations in the first quarter of 1952, showed a continued expansion in sales and a substantial gain in net earnings, amounting to, after Federal taxes, $2.10 a share whereas first quarter of 1951 net was equal to $1.83 a share after taxes. The company is in a good financial position. As of March 31, 1952, current assets amounted to $46.6 million, without taking into account inventories of sulphur above ground or materials and supplies. Included in these assets were cash and U. S. Government securities of $33.3 million. Current assets a year ago stood at $40.6 million. As of March 31st, last, current liabilities, including $15.7 million provision for Federal income and excess profits taxes, totalled $17.0 million, compared with current liabilities of $14.9 million a year ago.

DIVIDENDS: Quarterly payments of $1.00 a share have been accompanied by 75 cents extra in each of the last three quarters. Dividend record unbroken since 1921.

MARKET ACTION: Recent price—107¼, compared with a 1951-52 price range of High—119, Low—90¾. At current price the yield is 6.5%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1942	1951 (000 omitted)	Change
ASSETS			
Cash	$ 8,787	$ 20,007	+$ 11,220
Marketable Securities	9,510	15,211	+ 5,701
Receivables, Net	1,875	12,259	+ 10,384
Inventories	17,735	11,915	— 5,820
TOTAL CURRENT ASSETS	37,907	59,392	+ 21,485
Net Land & Develop.	22,941	11,455	— 11,486
Net Plant & Equip.	2,430	13,766	+ 11,336
Investments	724	1,632	+ 908
Other Assets	1,184	556	— 628
TOTAL ASSETS	$ 65,186	$ 86,801	+$ 21,615
LIABILITIES			
Accounts & Wages Payable	$ 359	$ 1,867	+$ 1,508
Accrued Taxes	5,632	16,875	+ 11,243
TOTAL CURRENT LIABILITIES	5,991	18,742	+ 12,751
Other Liabilities	305	......	— 305
Reserve for Conting.	1,747	3,038	+ 1,291
Capital Stock	26,175	26,175	
Surplus	30,968	38,846	+ 7,878
TOTAL LIABILITIES	$ 65,186	$ 86,801	+$ 21,615
WORKING CAPITAL	$ 31,916	$ 40,650	+$ 8,734
CURRENT RATIO	6.4	3.2	— 3.2



TECHNOLOGY *Changes Future* of COAL

By RICHARD COLSTON

Coal's courageous fight to survive has produced one of industry's outstanding epics. Against great odds this once dominant fuel is waging a vigorous contest to hold a respectable share of the market for production of energy. Bituminous producers have been losing ground to oil and natural gas for half a century or longer, but in the last few years a determined effort on the part of leading producers has been made to retain from 38 to 40 per cent of the domestic fuel market—if not actually to recapture some former customers.

The fact that the industry has been able to maintain its position in the last year or two is regarded as a favorable omen by optimists. Results have been encouraging enough to arouse hope of progress in the future. The obstacles to be overcome in the struggle are clearly recognized—constantly rising labor costs at the mine, mounting freight rates and the strong urge, especially among residential consumers, for ease and comfort in handling fuel. The coal industry has high hopes of retaining most of its present industrial outlets and of eventually offering residential customers a modern house-heating fuel—either as electric current or as gas.

In surveying the prospects for coal mining, it is interesting to ponder the significance of changes that have occurred in the last two generations. Before petroleum came into general use and coal was the accepted source of energy in industrial plants as well as in residential uses, small sizes were discarded. Anything less than an inch square was considered worthless. Now the larger consumers of bituminous coal prefer small sizes. In fact, except on railroad locomotives and in steel plants, most coal is powdered. This reversal in consumer preferences illustrates the transformation that has manifested itself in power generation since the 1890's.

Consumers Interested in Value

The fact that the major consumers of fuel are interested primarily in purchasing a commodity that will provide the greatest value in producing energy offers encouragement to the coal industry. Leading executives and researchers believe that through technological progress they can provide a fuel that can compete successfully with petroleum. This means a high degree of mechanization in mining and cleaning coal as well as in developing more economical methods of distribution. Interesting experiments are being conducted in finding cheaper methods of transporting coal from the mines to vast potential markets. Before commenting on coal gasification and other scientific studies, it may be well to examine some of the more promising opportunities envisioned by the industry for present outlets that apparently could be enlarged.

Full application of presently proposed technological improvements could enlarge coal consumption by 400 million tons annually, it is estimated. This would represent about three-fourths of normal demand. The most promising means of boosting use of bituminous fuel appears to be in development of more economical methods of transportation. A combination of such distribution channels as trucks, waterways, conveyors, pipelines and aerial tramways offers the hope of gains at the expense of competitors. Industrial users obviously are interested in the cheapest fuel that can be obtained for boilers, and through economies in distribution, the bituminous

fuel can supplant petroleum products to the extent of 30 million to 50 million tons annually, it is estimated.

Another promising market is electric utilities, and the coal industry is striving to promote development of more economical methods of generating and distributing power, so that consumption may be stimulated. In this way, coal in the form of electricity would be transported by wires from mine to consumer. As a matter of fact, generating capacity of the power and light industry is growing rapidly. Millions of dollars are being appropriated for enlargement of productive facilities in coming years. The time is coming, in the opinion of researchers, when electricity may compete effectively with other fuels in residential heating in many parts of the country. A rate cut of as little as 20 percent, it is estimated, would offer the hope of doubling the consumption of electric current. Accomplishment of such an objective well might raise demand for bituminous coal on the part of public utilities to 400 million tons or more in a year.

Potentialities in this direction are especially important in connection with expansion of Atomic Energy Commission's mammoth plants. Coal producers have been notified to prepare for greatly increased demands by power plants being constructed near the new Atomic Energy project under construction in the vicinity of Paducah, Ky., as well as for installations serving the hydrogen bomb plant near Savannah, Ga. Power consumption also has been stimulated by enlargement of aluminum production. Assuming that nine kilowatt hours of electricity are required to produce a pound of aluminum, it may be readily appreciated what even a modest step-up in aluminum would mean. Thus to turn out an additional 150,000 tons of aluminum would provide a market for about 950,000 tons of soft coal, it is estimated.

In connection with plans for building up the power and light market, anxiety has been expressed among economists over the seeming threat in steady improvement of generating facilities. Power plants have perfected equipment to such an extent that smaller and smaller amounts of coal are used to produce the same kilowatt hours of electricity. Coal executives point out, however, that operating economies are reflected in low costs to the consumer and this fact tends to enlarge the demand for electric current. Accordingly, the power and light industry continues to expand and to require larger tonnages of fuel. The facts seem to support the optimistic view that improved efficiency in burning of coal creates far more coal demand than its displaces.

May Supplement Natural Gas

Looking further into the future, coal producers are hopeful of demonstrating the commercial practicality of supplementing natural gas with gas made from coal. Research has shown that such a goal is possible, but considerable experimentation remains to be carried out to prove that manufactured gas can be produced cheaply enough for this potential market. Several transcontinental gas pipelines extending from the Southwest to Atlantic Coast markets pass closely enough to large coal producing areas in Pennsylvania and in West Virginia to utilize supplemental gas produced from coal. It is estimated that if the coal industry should be called upon to supply only 10 per cent of the nation's natural gas requirements a few years hence, the conversion plants would require 100 million tons of coal or more to supply even this small proportion of annual gas consumption.

Still further along in the contest for markets now served by the petroleum industry, coal producers look to the day when it will be commercially feasible to produce liquid fuels from coal. Extensive tests have been conducted under government sponsorship, and the practicability of the process has been demonstrated. Liquid fuels have been produced in substantial quantities in Europe, but even in that area where no natural petroleum is available and liquid fuels are costly the older methods for converting coal have been abandoned because of high costs. Government agencies are hopeful, however, of bringing down manufacturing costs from levels estimated by industry at 40 to 45 cents a gallon. Bureau of Mines' experts contend that such estimates are high and that liquid fuels can be produced from coal for as little as 11 cents a gallon. Possibilities look interesting to coal producers. It is believed that a small fraction of the market for liquid fuels would afford an opportunity for selling an additional 150 to 200 million tons of coal annually.

In connection with opening new markets for coal, the recent decision of Union Carbide & Carbon to embark upon a new process for producing essential chemicals from powdered coal is being closely watched. A new $11 million plant has been completed in West Virginia, near sources of raw materials, as the result of years of intensive research. With the use of hydrogen gas and (*Please turn to page* 396)

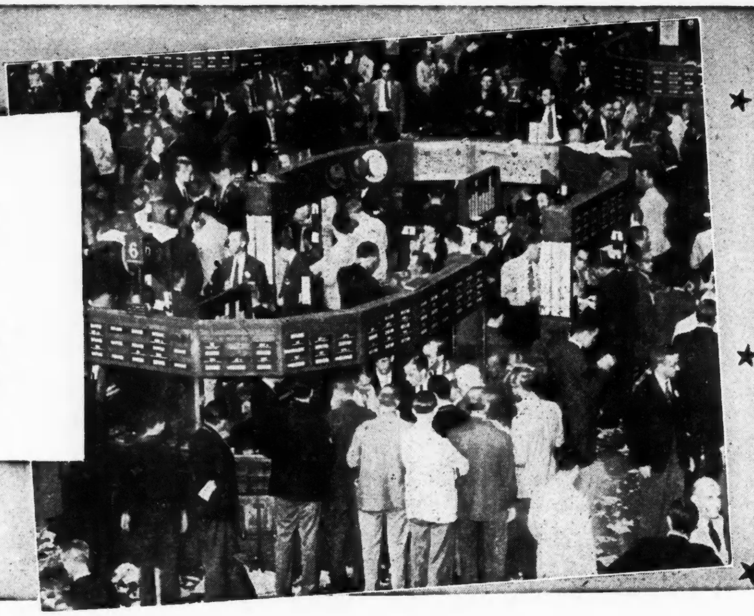
Earnings and Dividends of Leading Soft Coal Companies

	Net Per Share 1951	1950	1949	1948	1947	Div. 1951	Recent Price	Yield	Price Range 1947-52
Island Creek Coal	$ 4.63	$ 4.15	$ 3.36	$ 5.37	$ 4.02	$ 3.00	35	5.7%	39¾-19⅛
Penna. Coal & Coke	(d) .89	(d) .76	(d) .29	2.94	2.97	.50[1]	13½	3.7	16⅛- 7
Pittsburgh Consol. Coal	7.44	8.03	6.32	10.50	7.14	3.00	49¼	6.1	51½-18¼
Pittston Co.	2.51	3.10	2.24	8.56	9.69	1.00	29⅜	3.1	46½-17¼
Pond Creek Pocahontas	7.55	7.74	6.43	10.67	6.17	4.00	45	8.9	57 -19¾
Truax-Traer Coal	3.31	1.16	4.18	3.69	2.23	1.55[2]	17½	8.8	24 - 9⅝
United Electric Coal Cos.	3.06	1.67	3.84	4.82	1.41	1.75	17	10.2	28½-11¼
West Kentucky Coal	3.40	3.82	4.89	4.26	.....	2.00	26⅜	7.6	30 -16½[3]
West Virginia Coal & Coke	2.27	3.90	1.98	6.21	4.89	1.50	13	11.5	22¾- 8⅞

(d)—Deficit.
1—So far in 1952; none in 1951.
2—Plus stock.
3—1949-1952.

FOR

PROFIT AND INCOME



Rail Selectivity

At its high up to this writing, the Dow rail average has bettered its early-1951 top by roughly 11%, but the rail market has nevertheless been quite selective. It has not been profitable just "to buy the rails". Compared with 1951 highs, the big gainers have been rails with an oil-land angle, or those believed subject to possible stock splits, or those aided by exceptionally good earnings-dividend news—in short, special situations. Up from their February, 1951, highs by from roughly 125% to 30% are Northern Pacific, Seaboard, Atlantic Coast Line, Lehigh Valley, Canadian Pacific, Denver & Rio Grande, and Texas & Pacific. More than three-quarters of all listed rail stocks have to date fared worse over this period than the Dow average, and about half of them are still under highs made some 17 months ago. Down roughly 20% to 40% from those highs are Pennsylvania, Chicago & North Western, St. Paul, Chicago Great Western, and Missouri-Kansas-Texas.

Speculation

If rail popularity continues for a time, which is the bet implied by present sentiment, buying interest probably will spread to more speculative issues. On that basis, plus improved year-to-year earnings comparisons indicated for nearby months, there may be possibilities in such selected issues as New York Central, Chicago & North Western, St. Louis-San Francisco and Chicago Great Western. If this sort of thing interests you, regard it as not greatly different from betting on a horse race – do not risk very much money. Better-grade rails which may be subject to further market exploitation include Atchison, Rock Island, Kansas City Southern, Southern Pacific and Union Pacific.

Utilities

The margin by which earnings of utilities cover prevailing dividends gives a good indication of the safety thereof and of the potentially for liberalized payments sooner or later. The latter is perhaps the more pertinent consideration, for the chances are that even thinly covered dividends will in most cases continue, since (1) the trend of gross and income promises to remain upward for an extended further time; and (2) since prospective equity financing from time to time, to meet part of expansion costs, makes dividend maintenance essential. On the basis of 12-month earnings to March 31, here are some percentages of earnings paid out: American Gas & Electric 65.5. Central Illinois Electric 59.5, Central & South West 63.4, El Paso Electric 65.9, Florida Power 55.6, Houston Lighting 53.7, Idaho Power 57.7, Indianapolis Power 60.1, Missouri Public Service 64.1, Montana Power 61.8, Northwestern Public Service 62.5, Public Service of Colorado 65.1, Texas Utilities 62.5. On the other hand, the following percentages suggest that chances for increased dividends are not too promising any time soon: Boston Edison 86.7, California Electric 90.9, California Oregon Power 87.4, Commonwealth Edison 88.7, Connecticut Power 96.6,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1952	1951
Texas & Pacific Rwy.	4 mos. April 30	$4.89	$4.49
Southern Pacific Trans. Sys.	4 mos. April 30	4.25	3.39
Seaboard Finance Co.	Mar. 31 Quar.	.54	.47
Louisville & Nashville R.R.	4 mos. April 30	3.63	2.84
Southern Co.	12 mos. April 30	1.17	.97
Atlantic Coast Line R.R.	4 mos. April 30	8.52	5.14
Ingersoll-Rand	Mar. 31 Quar.	2.43	2.37
Pittston Co.	Mar. 31 Quar.	1.30	.60
El Paso Natural Gas	12 mos. Mar. 31	3.07	2.70
Ashland Oil & Refining	Mar. 31 Quar.	.72	.66

Consolidated Edison 88.9, Consolidated Gas of Baltimore 86.4, Hartford Electric 99.6, Iowa Southern 99.2, Kansas City Power 89.4, Pacific Gas & Electric 96.6.

Oils

The flow of institutional investment funds is concenterated much more in Big-Name oil stocks, as we have pointed out before, than in any other group. Although oils have been in a consolidation phase for some months, the effects of more or less steady institutional absorption are apparent. The composite index at this writing is at the best level in some time, and fairly close to the all-time high recorded last January. Since the whole vast investment in refineries, pipe lines and marketing facilities is founded on crude oil, the rank of the companies in domestic crude output may be interesting. Seventeen companies produced over 45% of U. S. oil in 1951. In order of production, they are Humble (controlled by Jersey), Texas Company, Standard of California, Standard of Indiana, Shell, Gulf, Socony, Phillips, Continental Sun, Sinclair, Tide Water, Ohio Oil, Cities Service, Union of California, Atlantic Refining, Pure Oil. Among the largest in foreign crude production are Jersey, S. O. of California, Texas and Gulf. (See article on the World's New Oil Fields this issue). In the last seven years Standard of California has moved from fifth place in domestic crude output to third, Phillips from twelfth to eighth, Sun from seventeenth to tenth, Sinclair from thirteenth to eleventh.

Chemicals

As a group, chemical stocks recorded an all-time high last autumn; and have since been confined to about a 15% range of fluctuation from high to low. It has been less than that for some months, the reaction low having been made last November. Like oils, the leading stocks invite good buying on recessions. At this writing, the group is about two-thirds of the way back to its major high. Union Carbide recently set a new 1952 high, but remained a little under its 1951 top. Aided by a pending stock split, Dow Chemical recently reached a new all-time high. The industry is digesting over-production and price softness in some lines. Earnings are mostly well down from their best interim levels; and in no event can they improve much on an annual basis until the excess profits tax is eliminated. There is some question whether expansion of capacity has been carried to excess in a basic sense. We doubt it. Right in the past when the same question was asked, chemical researchers and leading company managers are confident that long-term progress, despite interim interruptions, will exceed past progress.

"Miracle World"

This is an age of dynamic scientific technical innovation, with more "miracles" and "wonders" on the way. Most are more likely to benefit us as users of products than to make bonanza profits for investors. From an investment viewpoint, the trouble is that no company can long have a monopoly on any "wonder" product, or that its potentialities are greatly diluted by a company's other activities, or that there is no practicable basis for an investment appraisal of future possibilities on present knowledge. In the latter class is atomic energy. Again, the over-romanticized electronics field—founded simply on the vacuum tube, which will give way importantly in many applications to the newer germanium transistor—is merely a component-and-assembly proposition in which innumerable small and large manufacturers are engaged. It may be pertinent to note that while General Electric is the biggest maker of electronics equipment, it is also the biggest maker of household appliances, and of heavy electrical equipment. In varying degrees, diversification—which amounts to "shooting the works" on no single line—is the rule increasingly among larger companies. That has obvious advantages; but it makes hitting any jackpot in new products unlikely.

Cement

Cement makers probably have the best longer-term outlook in the building industry. This is because badly needed highway construction and other public works programs promise to sustain sales through any post-defense adjustment in the economy. In a free market, cement prices would be above the present level. A revival of the effective prewar competition of imported European cement seems unlikely for at least some time to come. The industry is one of medium-sized companies, with sound to strong finances, characterized by rather wide operating margins in all except real depression years. Lone Star, the biggest, has less than $8.6 million in funded debt ahead of its common stock. Such companies as Alpha Portland, Lehigh Portland and Penn-Dixie have no capital obligations senior to their common shares. On the basis of dividends paid last year, and likely to be equalled this year, the highest current yields are offered by Alpha Portland at 7.4% and Penn-Dixie at about 6.7%.

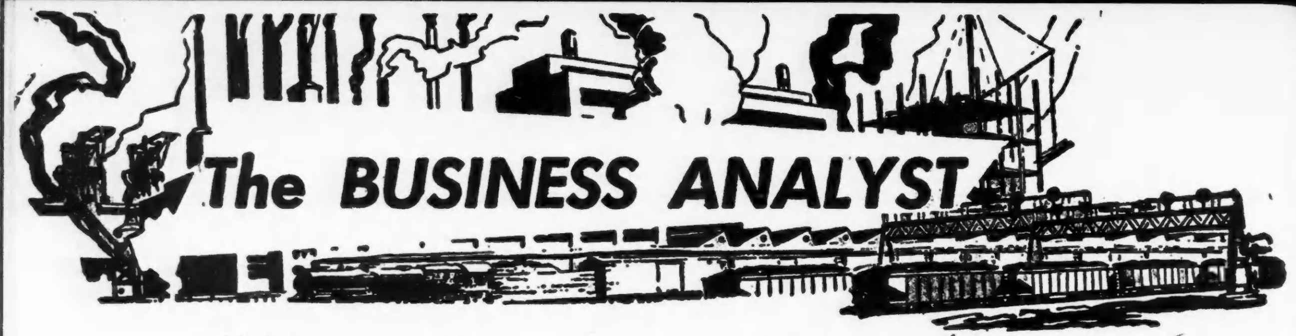
Aircraft

Taft and Eisenhower promise to cut Federal spending sharply over a period of time, if elected; but, whether the choice is either or a Democrat, there is bound to be heavy emphasis on expansion and maintenance of air power. Hence, earnings of the aircraft makers promise to be higher this year than last, higher next year than this; and good for a rather extended period. Selected stocks, in moderately better recent de-

(*Please turn to page* 402)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

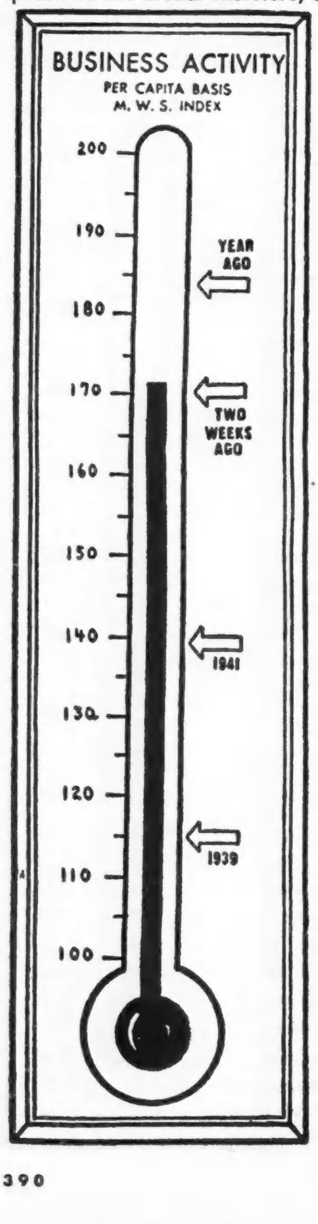
		1952	1951
Acme Steel Co.	Mar. 31 Quar.	$ .62	$ .98
Smith (A. O.) Corp.	Apr. 30 Quar.	1.17	1.52
International Harvester	6 mos. Apr. 30	1.67	2.46
Macy (R. H.) & Co.	13 weeks Apr. 26	.07	.13
American Stores Co.	Year Mar. 29	3.88	5.46
Emerson Radio & Phono.	26 weeks May 4	.28	1.22
Allied Stores Corp.	Apr. 30 Quar.	.44	.57
Royal Typewriter Co.	Apr. 30 Quar.	.55	1.03
Young (L. A.) Spring & Wire	9 mos. Apr. 30	1.56	6.26
Montgomery Ward & Co.	Apr. 30 Quar.	1.32	1.42



What's Ahead for Business?

By WALTER H. DIAMOND

Unlike several other forms of credit, commercial bank loans are harbingers of changes in the economic scene. Their implications are broad. Therefore, considerable importance must be attached to any sudden reversal in the trend.



After receding $1.1 billion since the end of the year, total loans to business by U. S. commercial banks temporarily turned upward during the past month. The rather substantial $186 million gain recorded by New York City banks for the two weeks ending June 18 brought total commercial, industrial and agricultural commitments of the nineteen banks reporting to the Federal Reserve System to more than $7.6 billion.

As a gauge of the inventory pipeline for general business activity in both civilian and defense lines, bank credit is most reliable. While aggregate commercial bank loans were soaring $2.5 billion to nearly $55 billion within a year following the outbreak in Korea, this country experienced an unprecedented rush to fill shelves and warehouses. When businessmen anticipate a contraction of demand, as in the past few months, they are quick to repay their loans and reduce future commitments for inventories. The latest tendency for loans to rise again reflects a temporary desire on the part of furniture, textile, shoe and several other industries to begin replenishing stocks. For example, a 17% jump in footwear sales in New England is at the roots of the sudden demand by shoe manufacturers for funds.

Borrowing to finance expansion of plant and equipment is another significant clue to the economic barometer. With excess cash reserves and undistributed profits drawn down to the safety point, the large corporations up to now have been depending on the new issue market. Because of the narrowing spread in the higher costs of bond financing and bank money, U. S. business is once again beginning to resort to the banks for capital needs. In our opinion, bank loans will play a considerably more important role in the future investment outlay.

A breakdown of the first quarter's lending operations by the country's banks emphasizes smaller businesses were the principal recipients. A year previously the large companies were getting the bulk of the advances. The recent gains in June were registered by the metal, utility, petroleum and chemical producers, confirming the continued strength in earnings as well as capital expansion in these industries.

Demand for agricultural loans has been limited because of favorable wheat prices. But above-average crop expectations indicate storage handlers, dealers and processors will need extra financing this fall in order to hold stocks until they find buyers. In line with the seasonal fluctuations of loans, manufacturers of consumer durables are scheduled to start building inventories in August. They are counting on sizable cash requirements. Already New York banks are flooded with feelers.

Delays in our military program have kept the defense contractors away from the banks. One leading automobile manufacturer arranged a six-figure loan from a group of New York banks, but later learned it was unnecessary as a pending government order did not materialize. Nevertheless, numerous Mid-Western operators are contemplating trips to New York in the fall following the release of thousands of military contracts just before elections. As a result, defense spending will not have its peak effect on the economy until early 1953.

With the Voluntary Credit Restraint program so successfully employed by the commercial banks now a thing of the past, and with cash reserves building up because of limited avenues for long-term portfolio investments, the banks will be in an easier position to lend. Furthermore, because the Administration is urging certain inflationary pressures on the economy, such as relaxation of Regulations W and X, to counteract a pending recession, commercial loans are destined to broaden in the last quarter of 1952. High taxes and the acceleration of payment will also contribute to an expanding volume that should increase at least $2 billion in the next six months.

Since bank loans unquestionably constitute the primary factor upon which our money supply depends, the shifting tide is indicative of a temporary upsurge in inflation at some later time. While we cannot expect it to last long, another spurt in our currency circulation means that the government may have better results than expected in surrounding the election atmosphere with generally prosperous business conditions.

The Business Analyst

HIGHLIGHTS

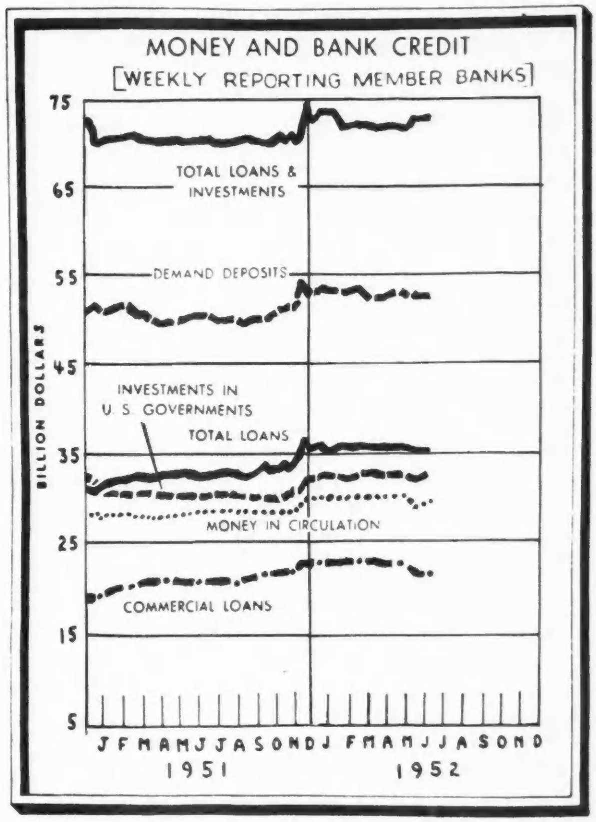
MONEY & CREDIT—The Treasury's attempt last month to dictate what investors shall buy proved to be a failure when less than $500 million of new money was forthcoming for an offering of non-marketable 2¾% bonds. The episode appears to have taught the Treasury a lesson for it thereupon decided to shape its wares to the needs of the market. The result has been a very successful new issue of $3½ billion of six-year, 2⅜% bonds which were offered to both private investors and commercial banks. The sale attracted heavy bidding with the entire issue sold out the first day and commanding a ½ point premium in later when-issued trading. This sale together with the expected large June tax receipts and a probable Fall marketing of tax-anticipation bills similar to those brought out last year, should cover the Treasury's needs for the balance of 1952. The $5.2 billion of certificates of indebtedness maturing on July 1 are being taken care of by the issue of a similar certificate to mature in eleven months.

The Treasury has bowed to the dictates of the market place but it has not seen fit to worry about the inflationary aspects of the type of financing it has used. With intermediate-term, bank-eligible bonds likely to find their way into the portfolios of the commercial banks as time goes on, expansion of the money supply will be expedited. Our fiscal authorities appear to be constitutionally unable to bring themselves to pay the small differential that is required to garner genuine long-term funds of non-bank investors. The purported reason for this attitude is the desire to keep the carrying-charge on the debt as low as possible and a theory, often expressed, that interest rates will eventually head downward. At that time, supposedly, a long-term issue would be floated. While we await that happy day, however, the short-term debt grows to dangerous proportions and the build-up of inflationary pressures continues. The momentary upward stimulus that the latter effect imparts to business may not be displeasing to the Administration in an election year.

May was a good month for the sale of new securities. Offerings of bonds to the public during the month amounted to $1,022,147,000, the second largest volume for any month since 1926 and exceeded only by the $1,051,520,000 brought out in April of this year. Stock offerings in May were also substantial with $105,353,316 being raised from twenty issues. This was the largest May offering of equity securities since 1946 when fifty-two issues placed on the market brought in $155,334,000.

—o—

TRADE—The seasonal expansion in retail trade continues in evidence and for the week ending Wednesday, June 11, Dun & Bradstreet estimates dollar volume to be approximately 1% above the results for the corresponding week of last year. Comparisons with a year ago would have been even better were it not for last year's "price war" which was concentrated in the New York area and boosted sales at that time. Apparel sales have been well sustained by the approach of "Father's Day," while the warm weather spurred interest in women's lightweight clothing. Demand for household goods was satisfactory although below that of a year ago. Department store sales for the week ending June 7 topped year-ago figures by



2%. Biggest advance—one of 22%—was chalked up by the Alabama district while New York area sales made the worst showing with a 17% decline from last year.

—o—

INDUSTRY—Industrial output, beleagured by the steel strike, fell sharply in the week ending June 7 as steel production dropped to 12½% of capacity. The MWS Index of Business Activity declined to 172.0% of the 1935-1939 average, on a per capita basis, from 178.4 the week before. Aside from steel, declines were also noted in freight car loadings, production of coal and paperboard output. A less than seasonal rise in electric power production also lowered this component of the index.

—o—

COMMODITIES—Commodity prices in general showed a slight increase in the week ending June 10 with the Bureau of Labor Statistics composite index of primary market prices advancing 0.2%. The principal changes during the week were a 30 to 60% increase in prices of potatoes and some citrus fruits. Smaller rises were noted for cotton, eggs, wooltops and

(Please turn to the following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	May	4.0	4.0	2.5	1.55
Cumulative from mid-1940	May	456.3	452.3	414.1	13.8
FEDERAL GROSS DEBT—$b	June 11	260.2	260.0	254.6	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	June 4	52.5	52.9	50.3	26.1
Currency in Circulation	June 11	28.8	28.8	27.5	10.7
BANK DEBITS					
New York City—$b	June 4	11.1	12.2	13.9	4.26
93 Other Centers—$b	June 4	13.5	15.7	15.5	7.60
PERSONAL INCOMES—$b (cd2)	Mar.	257.8	258.3	245.5	102
Salaries and Wages	Mar.	174	174	162	66
Proprietors' Incomes	Mar.	47	49	48	23
Interest and Dividends	Mar.	21	20	20	10
Transfer Payments	Mar.	13	13	12	3
(INCOME FROM AGRICULTURE)	Mar.	20	20	20	10
POPULATION—m (e) (cb)	May	156.6	156.4	153.9	133.8
Non-Institutional, Age 14 & Over	May	109.4	109.3	108.8	101.8
Civilian Labor Force	May	62.8	61.7	62.8	55.6
unemployed	May	1.6	1.6	1.6	3.8
Employed	May	61.2	60.1	61.2	51.8
In Agriculture	May	7.0	6.4	7.4	8.0
Non-Farm	May	54.2	53.7	53.8	43.8
At Work	May	59.0	58.0	59.4	43.2
Weekly Hours	May	42.6	41.8	43.2	42.0
Man-Hours Weekly—b	May	2.51	2.42	2.57	1.82
EMPLOYEES, Non-Farm—m (lb)	Apr.	46.2	45.9	46.0	37.5
Government	Apr.	6.6	6.5	6.3	4.8
Factory	Apr.	12.7	12.8	13.1	11.7
Weekly Hours	Apr.	40.0	40.6	41.0	40.4
Hourly Wage (cents)	Apr.	165.6	165.5	157.8	77.3
Weekly Wage ($)	Apr.	66.24	67.19	64.70	21.33
PRICES—Wholesale (lb2)	June 10	111.7	111.5	115.4	92.5
Retail (cd)	Mar.	208.8	208.9	205.8	116.2
COST OF LIVING (lb3)	Apr.	188.7	188.0	184.6	100.2
Food	Apr.	230.0	227.6	225.7	113.1
Clothing	Apr.	202.7	203.5	203.6	113.8
Rent	Apr.	140.8	140.5	135.1	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Apr.	12.7	12.4	12.3	4.7
Durable Goods	Apr.	4.3	4.1	4.3	1.1
Non-Durable Goods	Apr.	8.4	8.3	8.0	3.6
Dep't Store Sales (mrb)	Apr.	0.78	0.79	0.79	0.34
Retail Sales Credit, End Mo. (rb2)	Apr.	11.0	10.9	11.0	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Apr.	22.8	23.1	23.8	14.6
Durable Goods	Apr.	11.7	11.7	13.0	7.1
Non-Durable Goods	Apr.	11.2	11.4	10.8	7.5
Shipments—$b (cd)—Total**	Apr.	22.5	22.9	21.8	8.3
Durable Goods	Apr.	11.2	11.4	10.6	4.1
Non-Durable Goods	Apr.	11.3	11.6	11.2	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Apr.	70.4	70.0	67.4	28.6
Manufacturers'	Apr.	42.6	42.3	36.9	16.4
Wholesalers'	Apr.	9.7	9.8	10.1	4.1
Retailers'	Apr.	18.1	17.9	20.3	8.1
Dept. Store Stocks (mrb)	Apr.	2.3	2.3	2.7	1.1
BUSINESS ACTIVITY—1—pc	June 7	172.0	178.4	184.4	141.8
(M. W. S.)—1—np	June 7	204.6	212.4	215.1	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 391)

some oils. The MWS spot index of 14 raw materials advanced slightly in the week ending June 13 after setting a new low for the year on June 6. The modest improvement reflected a rise in the price of copper imported from Chile while corn, sugar, cotton and wooltops also advanced.

* * *

Expenditures for **NEW CONSTRUCTION** have continued to set records with spending in May for this purpose hitting $2.75 billion, a new high for the month and up from $2.6 billion a year ago, according to a joint report of the Government's Commerce and Labor Departments. Primary credit for the good showing goes to public construction activity which at $947 million was 19% above May of 1951. In this category increases were noted for highway construction and in Federal expenditures for military building, atomic energy and defense plant facilities. In the private building sector, outlays for residential construction were about the same as a year ago while factory building continued substantially above last year despite recent declines. For the first five months of this year total new construction expenditures totalled $11.9 billion, a 3% increase over the corresponding period of last year.

* * *

Marked improvement in the synthetic fiber industry was noted during May as manufacturers of **RAYON AND ACETATE YARNS** shipped 92.44 million pounds of their product during the month, the Textile Economics Bureau has revealed. This is a 15% gain over April deliveries although still substantially below the 111.1 million pounds shipped in May, 1951. All is not rosy in the industry, however, as price recovery has been slow since last year's decline of 30% and more in prices of yarns and cloth. Despite the improved demand, the unsatisfactory situation prompted producers to keep their output at 65% of capacity. As a result their **INVENTORIES** dropped from 118 million pounds in April to 107.5 million pounds at the end of May, a whacking 10.5 million pound reduction. However, stocks still remain far above the 16.0 million pounds that producers had on hand a year ago.

* * *

CASH DIVIDEND PAYMENTS disbursed by corporations issuing public reports amounted to $534 million in April, a 2% increase over the $524 million paid out in the same month of last year, the Commerce Department has announced. April's rise in dividend payments was mostly the result of a $15 million increase

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	Apr.	216	220	223	174
Mining	Apr.	164	163	164	133
Durable Goods Mfr.	Apr.	276	283	279	220
Non-Durable Goods Mfr.	Apr.	184	188	198	151
CARLOADINGS—t—Total	June 7	684	697	813	833
Misc. Freight	June 7	338	337	391	379
Mdse. L. C. L.	June 7	70	62	75	156
Grain	June 7	45	38	43	43
ELEC. POWER Output (Kw.H.) m	June 7	7,005	6,811	6,734	3,267
SOFT COAL, Prod. (st) m	June 7	7.5	8.4	9.9	10.8
Cumulative from Jan. 1	June 7	218.1	210.6	233.9	44.6
Stocks, End Mo.	Apr.	78.1	77.3	72.1	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 7	6.1	N.A.	6.2	4.1
Gasoline Stocks	June 7	123	N.A.	121	86
Fuel Oil Stocks	June 7	27	N.A.	23	94
Heating Oil Stocks	June 7	47	N.A.	53	55
LUMBER, Prod.—(bd. ft.) m	June 7	608	552	674	632
Stocks, End Mo. (bd. ft.) b	Mar.	8.2	8.2	6.3	12.6
STEEL INGOT PROD. (st) m	May	8.3	8.0	9.1	7.0
Cumulative from Jan. 1	May	43.5	35.2	43.6	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 12	244	226	207	94
Cumulative from Jan. 1	June 12	6,112	5,868	6,759	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 7	245	201	283	165
Cigarettes, Domestic Sales—b	Apr.	32	30	30	17
Do., Cigars—m	Apr.	492	478	444	543
Do., Manufactured Tobacco (lbs.)m	Apr.	18	17	17	28

PRESENT POSITION AND OUTLOOK

in payments by the communications industry while disbursements by manufacturing concerns were $9.5 million lower. For the first four months of 1952, cash dividends aggregated $2,423 million, a 5% improvement over the corresponding period of last year. During these four months, payments by manufacturing companies rose by 6% over the similar 1951 period while disbursements by oil refiners and makers of transportation equipment each advanced by one-fourth. Sizable advances were also recorded for the non-ferrous metal and machinery groups. Payments by textile and leather firms were 7% below January-April 1951 while minor declines were reported by the automobile, chemical, food, beverage and tobacco industries. The rise in dividends this year is noteworthy in view of the substantial decline in profits as compared to early 1951.

* * *

Manufacturers' **SHIPMENTS OF PASSENGER TIRE CASINGS** during April increased 16.6% to 5,826,348 from 4,997,492 in March, according to the monthly report of the Rubber Manufacturers Association. In order to bring production in line with shipments, producers cut their output by 8.2% and produced 5,826,702 casings in April. **INVENTORIES** of passenger casings rose to 10,584,603 on April 30, the highest level in over twenty years.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted. N.A.—Not available.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

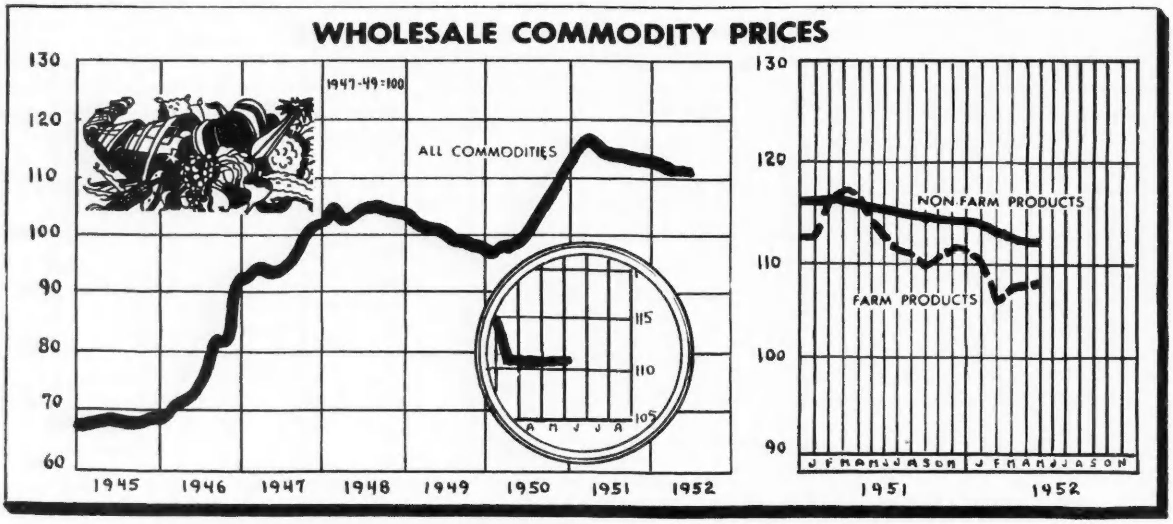
No. of Issues (1925 Cl.—100)	1952 Indexes High	Low	1952 June 6	1952 June 13
330 COMBINED AVERAGE	199.5	190.9	196.1	196.5
4 Agricultural Implements	295.8	270.6	276.6	273.6
10 Aircraft ('27 Cl.—100)	316.7	278.2	309.8	309.8
7 Air Lines ('34 Cl.—100)	777.8	616.9	632.7	624.8
8 Amusements	102.7	82.9	82.9	82.9
10 Automobile Accessories	244.0	232.0	241.6	239.2
11 Automobiles	42.2	40.2	41.0	40.6
3 Baking ('26 Cl.—100)	22.0	20.8	21.4	21.0
3 Business Machines	398.3	370.4	378.4	378.4
2 Bus Lines ('26 Cl.—100)	158.1	141.6	155.1	155.1
6 Chemicals	418.0	356.4	380.7	384.8
3 Coal Mining	16.0	14.0	14.6	14.0Z
4 Communications	68.3	61.7	64.3	63.6
9 Construction	72.3	67.5	71.0	70.3
7 Containers	490.6	442.8	457.1	447.5
9 Copper & Brass	169.5	138.8	146.9	145.3
2 Dairy Products	86.5	83.2	85.6	86.5A
5 Department Stores	66.0	60.1	62.7	61.4
6 Drugs & Toilet Articles	233.1	212.7	217.2	219.5
2 Finance Companies	362.7	308.1	356.4	359.6
7 Food Brands	178.7	171.5	176.8	178.6
2 Food Stores	105.6	97.4	102.5	102.5
3 Furnishings	63.1	59.3	61.8	61.8
4 Gold Mining	736.4	648.3	704.9	686.0

(Nov. 14, 1936, Cl.—100)	High	Low	1952 June 6	1952 June 13
100 HIGH PRICED STOCKS	125.1	119.2	124.4	124.8
100 LOW PRICED STOCKS	241.5	226.9	231.3	230.1
5 Investment Trusts	105.8	97.9	104.8	103.9
3 Liquor ('27 Cl.—100)	1146.9	910.4	944.2	977.9
11 Machinery	216.6	197.9	204.1	206.2
3 Mail Order	130.6	116.4	121.5	120.2
3 Meat Packing	100.2	88.4	90.3	90.3
13 Metals, Miscellaneous	307.4	249.4	258.1	258.1
4 Paper	443.7	395.3	399.4	407.4
28 Petroleum	485.1	440.2	467.7	472.1
30 Public Utilities	170.8	162.5	170.8	169.2
9 Radio & TV ('27 Cl.—100)	34.5	31.1	32.3	32.7
8 Railroad Equipment	64.3	59.2	61.1	61.1
24 Railroads	48.6	41.3	48.2	48.6A
3 Realty	46.2	38.2	43.9	46.2A
3 Shipbuilding	191.8	181.0	190.0	190.0
3 Soft Drinks	330.5	301.2	320.2	323.3
14 Steel & Iron	154.8	135.3	142.8	141.3
3 Sugar	73.1	63.9	63.9	65.3
2 Sulphur	616.3	530.4	563.2	568.7
5 Textiles	197.4	164.1	177.8	175.9
3 Tires & Rubber	75.3	66.9	69.7	70.4
6 Tobacco	85.9	78.6	78.6	80.2
2 Variety Stores	319.6	297.9	304.1	307.2
18 Unclassified ('49 Cl.—100)	119.7	115.1	117.4	116.2

A—New High for 1952. Z—New Low for 1952.

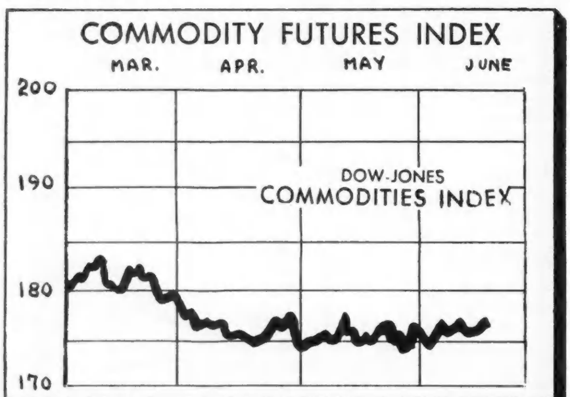
Trend of Commodities

Minor improvement took place in commodity futures during the past two weeks and the Dow-Jones Index of commodity futures gained 1.35 points during the period to close at 176.03. At this level it was in the upper zone of a narrow range which has persisted since mid-April. Corn, oats, rye, soybeans, cotton, wooltops and domestic sugar all improved in the past fortnight while wheat, lard, hides and such imports as cocoa and coffee sought lower levels. July wheat futures lost 2 cents during the past two weeks as the June 10 official estimate placed the winter wheat crop at 1,060 million bushels against 645 million a year ago. Production of spring wheat was expected to reach 266 million bushels to bring the total crop to 1,326 million bushels, the second largest on record. A reasonable forecast of consumption next season looks for use of 1,110 million bushels. This would mean that the carry-over next year would be 216 million bushels higher than at the end of this season. Marketings of winter wheat will reach a peak in July and pressure on prices may continue until this is out of the way. Soybeans have had a spectacular advance in the past fortnight, led by the nearby July option which gained 16 cents. New crop months showed sympathetic strength with the November future rising 8 cents. The old crop is in a tight position with the visible supply at 3.4 million bushels against 5.9 million a year ago. The new crop, however, should be ample as farmers, in March, planned to plant an exceptionally large crop. October cotton has gained 80 points since June 2 to close at 37.53 cents on June 16. Private estimates place acreage planted to cotton at about 26.5 million acres against 27.9 million acres in cultivation on July 1, 1951. Buying of cotton textiles has improved and apparently inventories at the retail and converter levels are in need of replenishment.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

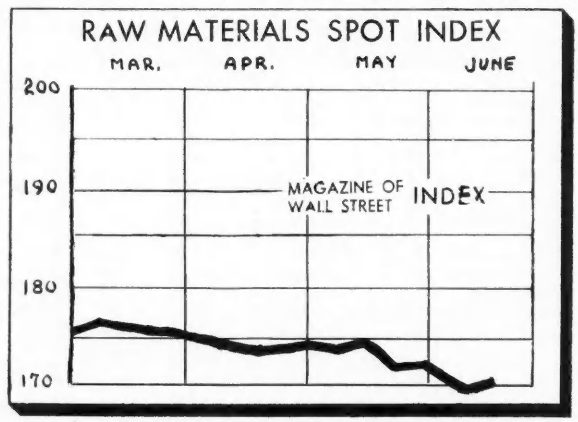
	Date June 16	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
28 Basic Commodities	294.1	293.4	305.2	351.4	156.9
11 Imported Commodities	287.3	284.1	306.0	374.2	157.3
17 Domestic Commodities	298.5	299.6	304.6	337.3	156.6
7 Domestic Agriculture	349.2	346.3	337.8	377.7	163.9
12 Foodstuffs	355.7	356.5	357.1	378.6	169.2
16 Raw Materials	269.6	268.4	289.9	336.9	148.2



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1952	1951	1950	1945	1941	1939	1938	1937
High	181.2	214.5	204.7	95.8	74.3	78.3	65.8	93.8
Low	173.1	174.8	134.2	83.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1952	1951	1950	1945	1941	1939	1938	1937
High	192.5	215.4	202.8	111.7	88.9	67.9	57.7	86.6
Low	168.5	176.4	140.8	98.6	58.2	48.9	47.3	54.6

Keeping Abreast of Industrial and Company News

Mining of copper has long since emerged from the primitive methods of the pick and shovel, plus a mule cart to haul the ore to the surface. As man goes deeper into the earth to recover the red metal, new processes and new devices come into play. In the copper-rich eastern section of Nevada, for instance, block-caving mine operations are being carried on at considerable depths, necessitating, at one mine a shaft 1,700 feet deep, which is to be provided with one hoist for men and materials and another for raising the ore. This latter hoist, capable of delivering 12 tons of ore to the surface every 72 seconds, will be powered through two 600-volt motors having a combined rating of 3,300 horsepower at 500 rpm. **GENERAL ELECTRIC CO.,** is supplying the motors for these hoists, both of which will be equipped with G-E amplidyne-type controls, and powering the hoists motors will be two 1250-kilowatt generators. Other G-E equipment includes a 20,000-kilowatt turbine, pump and compressor motors, and auxiliary apparatus.

In what is regarded as a gruelling series of parallel tests of wooden against plastic boats by the Army, it appears that in just about every essential–speed, weight, capacity, strength, resistance to damage, ease of repair, and resistance to rot and corrosion, the plastic boat came out on top. Powered by a 68-horsepower diesel engine capable of turning up a speed of 14 knots, the plastic boat is 26′6″ long, beam 8′1″, and has a light draft of 2′10″. Even with a 30% greater load it was able to outdistance its wooden competitor by reason of the inherent lightness made possible by the use of **AMERICAN CYANAMID COMPANY'S** Laminac Resin reinforced by Fiberglass.

An additional 60 diesel locomotive units, to cost approximately $9 million, have been ordered by the **SEABOARD AIR LINE RAILROAD CO.** It is expected that this new equipment will be delivered to the road early in 1953, and will make the Seaboard one of the first roads to be 100% dieselized.

FAIRBANKS, MORSE & CO., has received an order for five Diesel, 1,200 hp., switching locomotives from the New York, Chicago & St. Louis **(NICEL PLATE) RR. CO.** The total cost of this new equipment is placed at $500,000, and deliveries are scheduled to begin at an early date.

Recent dedication ceremonies marked the completion of **IDAHO POWER COMPANY'S** $19 million power development on Snake River in southwestern Idaho. The 3220 foot dam and three unit hydro-electric generating plant, having an 82,500 kilowatt capacity were completed within 16 months time. Preliminary studies are being made for the construction of two additional hydro-electric plants on Snake River, and it is expected that expenditures of from $55 to $70 million will be made during the next four years for additional expansion.

An Army contract has been given to the **STUDEBAKER CORP.,** for $76 million of trucks and parts. With this order, total contracts awarded to the company since inauguration of the defense program amount to approximately $474 million, of which close to $326 million remains to be fulfilled.

One of the world's largest oil drilling rigs is now being built by the **NATIONAL SUPPLY CO.,** at its Torrance, Calif., plant. This huge drill, it is understood, will be powered by a five engine drive group of supercharged eight-cylinder diesels, developing more than 2000 horsepower. A drill of this size and power is designed to drill to depths of 20,000 feet or more.

Included in **UTAH POWER & LIGHT CO'S.,** $17 million construction program for this year is the second generating unit of the new Gadsby steam electric plant. It is expected that by Fall the company will have a 75,000-kilowatt generator in operation augmenting output of the 66,000-kilowatt unit which went into service in September, last year. Cost of the plant when completed is placed around $23.5 million.

According to present plans, the new glass fibre plant of the **FERRO CORP.,** at Nashville, Tenn., will go into operation sometime late next month. The new plant will begin operating eight thread drawing units, and this number will be eventually quadrupled as conditions warrant.

The company is extending its interests by opening a plant at Asaka, Japan, for the production of porcelain enamel "frit," the basic ingredient for manufacturing vitreous coating for sinks, refrigerators, bathtubs, washing machines, and other products having, what is generally termed, porcelain finish. Operations in Japan will be carried on by a new subsidiary, Ferro Enamels (Japan) Ltd., under a license agreement wherby Japanese investors supply necessary capital. In return the parent company receives 10% of the stock and a royalty on "frit" production.

The $2 million worth of radio transmitters which **WESTINGHOUSE ELECTRIC CORP.,** is manufacturing for the Air Force will be incorporated in the world-wide communications network for ground-to-air and ground-to-ground contact with any Air Force base in the world. The transmitters are built to send signals over distances of up to 7,000 miles, are capable of transmitting telegraph code signals at the rate of 500 words a minute through their radio-telegraph channels either by telegraph key or by teletype. Radio-telephone modulators provide the "wings" for voice communication.

Scientific Construction of Investment Portfolio Today

(*Continued from page* 379)

plays a necessary part in the moderate-sized portfolio since this provides the only logical means of increasing the value of the total investment. For that reason, while the percent devoted to common stocks is small in this type of portfolio, it does provide a basis for capital appreciation, an essential feature of any well-constructed portfolio.

The stocks selected for income and listed in both portfolios are of a type that are comparatively "riskless" and yet provide a fair return. We have selected as stocks suitable for this group, a guaranteed railroad stock, a first-class preferred and, American Tel. & Tel. which probably ought to be in every portfolio.

In the stocks selected for capital appreciation, we have included only issues of great strength and with definite growth characteristics. This is a logical procedure for investors who are seeking the best avenue to long-range capital gains. Even stocks of this calibre are subject to wide price fluctuations. Hence, the investor must be prepared for good-sized declines as well as advances over the longer-term. This should not disconcert him, if he has provided reserves that will take care at least partially of any contingency that may occur. If he is correct in his original assumption that the growth stocks selected will rise eventually to higher prices, a temporary upset in the market price should be a secondary consideration.

In the two portfolios given in the tables, tax rates are based on various levels of earning power, from $10,000 to $26,000, depending on the portfolio. Analysis of the portfolio indicates a comparatively small percentage yield for both. This is especially true of the $100,000 portfolio. In this case, the yield—after taxes—is 2.4% on income received from securities for an individual with annual earnings of $18,000 (figured on a joint return basis) and 2.1% if earnings are at the annual rate of $26,000. In both portfolios, the taxes are figured on a joint return basis.

From this exhibit, it is clear that the emphasis is on capital gains prospects and not net income. Here the reserves form part of the potential stock portfolio and should be used for this purpose if the occasion demands.

Net yield from the $25,000 portfolio is 3.3% for joint tax purposes where earnings are $10,000 a year and 3.2% where net earnings are $14,000 a year. Somewhat greater importance is attached here to income but provision for capital gains enhancement is not neglected. In this portfolio, 50% of the total sum involved is devoted to income, 20% to reserves and 30% to common stocks of the growth variety.

In the $100,000 portfolio, 15% is devoted to direct first-line reserves, 15% in secondary reserves, which are in tax-exempts and to be used in the event of a major market decline, 20% for straight income in stocks, and 50% in stocks for capital gains. In this case, the emphasis is on long-term appreciation.

The stocks for capital gains have been selected on the basis of present-day conditions in the securities markets. Many other stocks of similar calibre could be selected but those listed are good illustrations of the type of issue that properly belongs in a strong well-constructed portfolio.

As the table indicates, we have worked out the pre-tax and post-tax yields on the two portfolios in relation to the size of annual earnings—aside from security income—that are proportionate to the two respective groupings, In other words, the $25,000 portfolio, according to normal experience, seems in line with the individual earning about $10-$14,000 a year, and the $100,000 portfolio represents probably the average worth of individuals with incomes ranging from $18-$26,000. Readers can work out the ratio of the income from their securities to whatever earnings they may have, based on the tax rates to which they are subject and so determine their real income from securities.

In conclusion, it should be stated that the construction of a sound investment portfolio, based on present conditions, can be affected only in connection with the tax status of the individual. Should, as is hoped, tax rates be substantially reduced in the next few years, the importance of taxes as an element in constructing an investment portfolio would naturally diminish. The same would apply if there were a substantial rise in the purchasing power of the dollar, rather an unlikely development at present. But should this occur, however, the position of bonds would consequently be enhanced as a worth-while element in the portfolio. At present, their function is mainly that of a reserve to provide for market contingencies.

Readers should bear in mind that the two portfolios described in this article are intended solely for individuals who already have other substantial sources of income. Generally these are people active in business or profession, or who hold income-producing property.

For individuals who are more or less entirely dependent on the income from securities, especially elderly persons and those in the "widow and orphan" class, the considerations are entirely different. For this class, the emphasis must be almost entirely on income and very little on capital gains.

Technology Changes Future of Coal

(*Continued from page* 387)

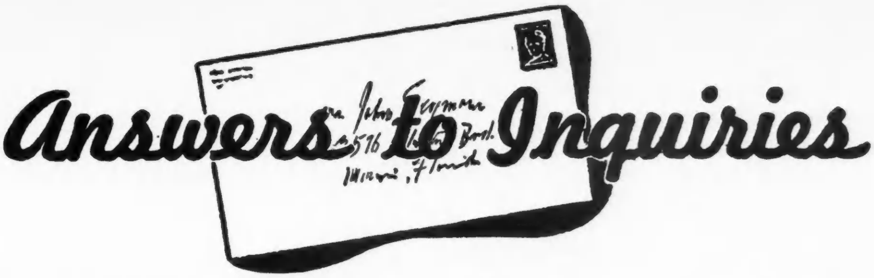
coal, the scientists are producing a variety of chemicals. Some observers intimate that the achievements may be significant as the discovery of prestone a quarter of a century ago.

Another interesting approach to broadening markets for coal was outlined recently by an official of the *Pittsburgh Consolidation Coal Co.* in discussing potentialities of serving the chemical industry. Research has suggested the possible development of a process for removing from the volatile elements of coal various chemicals which could be marketed more profitably than as fuel. Discussing the economics of low-temperature carbonization of coal, he said:

"A portion of the distilled liquids not directly usable as chemicals could be converted into more chemicals, and when markets warrant into liquid fuels. There is flexibility in this approach, since changes in the demand picture could be at least partially met by changing the yields through process variations. Such a process will first be used to produce chemical intermediates from the distilled tar products. At a later stage in the evolution of coal-

(*Please turn to page* 398)

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

National Gypsum Company

"With the recent easing of restrictions on building, I would be interested in receiving data on National Gypsum Company."

R. I., Utica, N. Y.

Sales by National Gypsum Company for 1951 totalled $95,489,000, the largest volume in the company's 26-year history. The new high in sales compares with $75,990,000 in 1950, the previous record year.

The 25% increase in sales was attributed to the company's improvement and construction program, largely completed in 1951. The large increase in sales was due to the production and sale of more goods than ever before. The expanded figure does not result from price increases, since prices averaged only a 1% rise during the past year.

Net earnings for National Gypsum were $7,395,983, or $3.12 per share of common stock. For the previous year the company reported net income of $9,286,528, or $4.19 per share. The drop in the company's net was due almost entirely to increased taxes and inflated costs.

The new paper mill at Prior, Oklahoma is completed and operations of the company are fully integrated. Barring major changes in the international situation, the company's volume this year should come close to 1951's record figure.

The company is completing a six year, $50 million postwar expansion this spring.

For the three months to March 31, 1952 net sales were $21,847,294, net profit $1,629,629 equal to 68 cents per share based on 2,424,607 shares outstanding. This compares with first quarter 1951 net sales of $21,851,209, net profit of $1,963,545 equal to 88 cents per share based on 2,112,336 shares outstanding.

Dividends in 1951 were $1.40 plus 2% in stock and 35 cents quarterly has been paid thus far in the current year.

Philip Morris & Company, Ltd

"In your Magazine you have stated that the leading cigarette stocks have been market laggards. As you have also mentioned in previous issues that Philip Morris & Co., Ltd. has shown good growth in a highly competitive industry, I would appreciate receiving pertinent data on the company's recent operations and financial position."

B. E., Poughkeepsie, N. Y.

Sales of $306,698,324 and a net profit after taxes of $12,627,140 for the fiscal year ended March 31, 1952 was scored by Philip Morris & Company Ltd.

Earnings were $4.65 on the 2,448,121 shares of common stock outstanding as compared to last year's figure of $6.62 on the same number of shares outstanding. The regular $3.00 cash dividend was paid during the year.

The March 31, 1952 sales figure of $306,698,324 compared with the 1951 figure for the similar period of $305,804,331. Earnings after taxes were $12,627,140 for the latest fiscal year as against $16,689,145 in the previous year.

The near completion of the company's $12 million expansion and modernization program in Richmond and Louisville will increase the one shift manufacturing capacity by approximately 40%, making it possible to eliminate night shifts.

The completion of this program brings the company's productive capacity in line with the cumulative sales gain of recent years and makes money-saving opportunities in the handling of green leaf not available in the smaller volume period of the early years.

Sales volume from prior years was maintained. Sales in many areas abroad were still restricted by lack of dollars. Export sales of Philip Morris products, including sales to United States Forces, were increased 35%.

The financial position of the company continues strong. Capital and surplus at $124,051,408 offsets complete investment in plant and equipment as well as almost half of investment in current inventories with the balance covered by debentures and current loans.

Beatrice Foods Company

"I have been a subscriber to your valued publication for a good many years and do not often take advantage of your Personal Consultation Service. However, at this time I would be interested in receiving data on Beatrice Foods Co."

C. N., Joliet, Illinois

For the fiscal year ended February 29, 1952 Beatrice Foods reported consolidated net profit of $3,908,234, equivalent after preferred dividends to $3.62 a share on 1,031,440 common shares outstanding at the year-end. This compares with net income of $4,819,967 and $4.53 a common share for the previous fiscal year.

From the standpoint of sales volume and financial strength, the fiscal year ended February 29, 1952 was the best in the company's history. However, from the standpoint of earnings, the year's results were below the pre-

(*Please turn to page* 402)

Future of Coal

(*Continued from page* 396)

based synthetics, the demand-price picture will permit the conversion of some of these tar products into synthetic liquid fuels.

"As a larger demand for gaseous and liquid fuels develops, it could be accommodated by the gasification of the solid char produced and not used under boilers, as well as by using other processes yet to be developed for the complete conversion of coal. I believe that this step-by-step approach toward complete conversion will by-pass many of the difficulties and certainly ease the capital requirements that would be involved if we pushed presently known commercial processes for the complete conversion of coal into liquid and gaseous fuels."

Research Activities Stimulated

Any realistic appraisal of the coal industry's growth potential must take into consideration the cost of bringing coal to the surface, however, and this problem is one which has imposed severe handicaps. Rising wage rates have compelled mine operators to introduce mechanization wherever possible. Recurrent advances in labor costs, as well as freight rate boosts stemming from the same inflationary forces, have strengthened the competitive position of liquid fuels and have spurred research in processes for conversion of coal to fuels more economically transported.

Wage Rates and Mechanization

Some observers feel that the upward spiral in miners' wages has gone about as far as it can if competition from natural gas and heating oils is not to be intensified. Already mechanization in mining operations has helped counteract rising wage rates by increasing the productivity of individual miners, but this trend has meant that fewer miners are required to produce the nation's coal requirements. Hence unemployment problems are created.

At the moment the coal industry is preparing for another contest with the miners' aggressive leader, John L. Lewis. Whether a new contract can be arranged without greatly increasing mining costs is a question. Industry observers think it would be unlikely that Mr. Lewis would not confront coal producers with substantial demands if the Steelworkers' Union wrings a sizable wage increase from employers. Mr. Lewis has shown indications of concern recently over gradual shrinkage in demand for coal and the need for still greater mechanization of production. This situation poses the threat of heavier burdens on the union's welfare fund to support pensioners and to provide adequate medical care. Already the union has been compelled to economize in distributions. Free dental service has been withdrawn and free tonsilectomies have been dropped. Other services are being more carefully supervised.

Pension costs are steadily rising, and, as employment slackens, heavier burdens are placed on the union. Receipts in April fell about $1.4 million short of disbursements. The threat of deficits in operating the welfare fund, which holds about $100 million contributed by mine operators through a royalty on production, suggests that Mr. Lewis may demand a rise in the current rate of 30 cents a ton. Operators recognize the fact that such imposts mean higher selling prices and impose another handicap on the industry's efforts to broaden its market.

Two New Developments

Two recent developments have strengthened the position of industry in countering union demands in anticipated negotiations of a new contract. The steel strike, for example, has reduced coal consumption and enlarged supplies on hand. Power and light utilities have accumulated large inventories in preparation for a shutdown in production with the result that these major customers will be taking reduced amounts of fuel in coming months. The summer is a dull period for coal producers, and pressure for making concessions to the union probably would not become an important factor for several months. Accordingly, if Mr. Lewis gives the required sixty days notice of termination of the present contract, the operators may decide to permit the union to call a strike rather than grant uneconomic concessions.

Under the circumstances, the

immediate outlook for representative coal mining concerns is less than bright. Export demand has fallen off, and this factor may result in a lowering of estimates for 1952 output. Indications are that bituminous production may be no larger than 1951 output of about 535 million tons.

In supplementing this general discussion of the coal industry's prospects, it may be well now to survey briefly several representative companies. In this connection, a compilation of relevant statistical information has been prepared for reference.

Leader in the Industry

Pittsburgh Consolidation Coal is regarded as the largest producer of bituminous coal. This company also is a leader in research and development of new uses for hard fuel as well as in the mechanization of mining. Barring a lengthy suspension of operations, it is thought that production may approximate last year's showing. Earnings may not be much lower than the 1951 total of $7.44 a share. In the March quarter net profit rose to $1.56 a share from $1.49 a year ago, but second quarter results may be slightly under the 1951 figure.

Island Creek and *Pond Creek Pocahontas,* two affiliated low-cost producers, are expected to fare well this year. The former's output of high quality fuel finds a ready market in the steel industry. The latter also produces high quality coal with metallurgical qualities suitable for steel-making. Both companies seem likely to earn very nearly as much as they did in 1951. Island Creek reported net profit for the March quarter of $1.20 a share, compared with $1.25 last year. Pond Creek's earnings in the first quarter dropped to $1.54 from $1.79 a share. Island Creek should comfortably cover its $3 annual dividend this year, while Pond Creek may earn more than $7 a share.

United Electric Coal is expected to show earnings for the year ended July 31 of about $2.25 a share, compared with $3.06 a year ago. Prospects are promising for increased sales and earnings in the coming year, however, and earnings may recover to $3 a share.

West Kentucky Coal, formerly a unit of the North American Company, is expected to do about as well as in 1951, when earnings came to $3.40 a share. Net profit in the first quarter of 80 cents a share was slightly ahead of last year.

West Virginia Coal & Coke's earnings have been adversely affected by rising costs, but efforts are being made to place greater emphasis on strip mining. Earnings this year seem likely to fall short of the 1951 showing of $2.27 a share.

Truax-Traer, with properties in North Dakota as well as in West Virginia and in Illinois, has attracted attention as a possible beneficiary of development of crude oil resources in the Williston Basin. Earnings for the fiscal year ended April 30 dipped to $2.95 a share from $3.65 in the preceding year. Acquisition of the Binkley Coal Company is expected to improve earnings prospects for the coming year.

Germany's Fateful Entrance Into Western European Coalition

(*Continued from page* 377)

1¼ million of unemployed who are potential extremists of one kind or other. The country is in desperate need of capital, the bulk of which was wiped out in the 1948 currency reform. There has been little new savings; the Germans as people have not got over their distrust of paper money, which is spent as fast as it is made either for a bare living, or in night clubs, cafes and restaurants, which are said to be crowded all the time.

What will the future Germany look like? How will it be organized? By joining the E.D.C., the Germans have given notice that they are willing to cooperate for the time being with the West because the existence *of a united but disarmed Germany would be too precarious.*

Or *will there be a divided Germany with both parts rearmed?* Though desirable from the viewpoint of France, for example, such a solution would be unnatural and unable to withstand the pressure of reviving German nationalism. Comments the Manchester Guardian Weekly:

"The old cry 'Deutschland Erwache' may again be raised. If, when that day comes, both of the Power blocs in the world have still an interest in maintaining the division of Germany, the convulsions of a new German nationalism will shake European peace to its base. The nationalism of a divided and armed Korea gave Russia its temptation and brought disaster to the world. How much more disaster might come out of a divided Germany? If the East Germans did not start the fight, might it not be the West Germans with their eight million refugees determined to get home?"

That is the argument, continues the Manchester Guardian, of those who would prefer to see a new effort made at organizing Germany in still another way, *namely, as a unified, armed, and sovereign power.* But this solution, too, has its weaknesses. It would be playing with fire to recreate the German Wehrmacht without the restraints imposed upon it by the E.D.C. A strong, rearmed Germany may be tempted to play off the West against the East. It may involve the rest of the free world in a war against Russia in order to recover the lost Eastern territories. But a strong rearmed Germany without any restraints, may also stage another Rapallo, another Hitler-Stalin pact of 1939.

Whatever happens, and some of the above projections may be in the very distant future, the fact is that Germany is coming back as a political factor, a great power, in much the same way as she came back during the past two years as a competitor in international trade. The Russians are apparently more aware than we, in the United States, of the impact of this German comeback on the present international setup. The signing of the peace treaty and the first step toward the creation of a new Wehrmacht has merely taken the initiative in Germany out of Russian hands. Unification of Germany has been merely postponed. About the only thing we can hope is that the Germans will achieve it some day without plunging the world into another war.

The World's New Oil Fields

(*Continued from page* 369)

put together. These estimates vary from the fantastic figures of 100 to 300 billion barrels of oil.

While initial exploratory operations will be concluded by a group of ten Canadian companies, American interests, particularly Sun Oil and Socony Vacuum will probably have a foothold, with applications pending for reservations of 50,000 acres apiece. It is also known that the Athabaska basin has very large reserves of sulphur, possibly as much as one to three billion long tons.

While oil in Western Canada undoubtedly exists in the greatest abundance, several drilling difficulties stand in the way. One is that as exploration moves north into the provinces, the cost increases. The second is the transportation problem. At present Canadian oil can compete with California, mid-Continent or Venezuela as far west as Vancouver and as far east as Toronto. Further east, Canadian oil is at a disadvantage as compared with oil now obtained from foreign sources and delivered at the eastern seaboard. However, the problem in large part will be solved with increased population in western Canada and new pipelines constructed to absorb the oil produced in that region.

Of the various large company developments in western Canada the following are of interest:

Atlantic Refining has a 20% interest in some 9 million acres in Saskatchewan, with substantial quantities of oil shown in preliminary tests.

Texas Co. which holds some 3 million acres of leases and Crown lands, has made an important discovery in the Wizard Lake area, 45 miles southwest of Edmonton. Discoveries were also made in the Bonnie Glenn field, comparable for oil and gas reserves, to Wizard Lake. Also, important gas reserves were discovered in the Majeau Lake area. Through Texaco Exploration Co., output in 1951 both for the account of Texas Co. and its associated McColl-Frontenac, amounted to 3700 barrels daily, under restricted production schedules.

Socony-Vacuum last year increased its holdings in western Canada to 7 million acres. Part of this land is contiguous to northern Williston in the U. S. In the Duhamel field in Alberta, Socony completed 11 wells in 1951, a good start considering that the field was discovered only in 1950.

Standard Oil of California has land holdings of more than 11 million acres in this area. Some active drilling development is going on in central Alberta and Manitoba. Standard of California's main interest at present is in estalishing the Atcheson field, the fourth largest in Canada. In the Daly field in Manitoba, the company has discovered oil in four areas.

Sun Oil has about 2.2 million acres in leases and last year brought in its first commercial producer in Canada in west central Alberta. Another was brought in early this year. As stated previously, Sun Oil is also interested i nthe valuable area of the Athabaska lake region.

Amerada Petroleum Corp. has exploration rights to over 2 million acres in Alberta. Work is essentially of an exploratory nature but thus far no oil discoveries have resulted from the company's drilling. The company has far more important discoveries to its credit in the United States, which will be mentioned later.

Phillips Petroleum Co. has exploratory rights to 4.3 million

acres in Alberta, British Columbia and Saskatchewan. The company brought in one oil and gas field in Alberta and one oil and gas field in Saskatchewan. The drilling of development wells resulted in three oil wells. This is considered merely a beginning.

Standard Oil of New Jersey, through its subsidiary, Imperial Oil Ltd., has the predominant interest in Canada's oil. Imperial had 1140 producing wells at the end of 1951. This company was extensively covered in our Dec. 29, 1951 issue. It is the ranking oil investment in Canada.

Gulf Oil Corp. is one of the most active of the American oil companies in Canada. At the close of 1951, it had 106 wells in production and net output was 1,499,000 barrels. Fifteen exploratory wells were completed and resulted in the discovery of two oil fields and one gas field. The company holds approximately 6.6 million acres of undeveloped leases and options in Alberta, Saskatchewan, Manitoba, British Columbia and the Northwest Territories.

Long Wait Ahead

The above represents the principal activities of some of the leading American companies as to oil exploration and development in Canada. The list is by no means inclusive but space limitations prevent elaboration of this subject. It should be stated that it will take some years before these new fields come into maturity. The companies involved are interested only in long-range considerations and must make ample provision for the heavy financing that will be incurred.

The same considerations are true of the mammoth Williston Oil basin, which in reality, is an offshoot of the Canadian fields to the north. The regions, both south and north of the Canadian border, are part of the same geological formations, though characteristics vary. The area consists of about 100,000 square miles in the western half of North Dakota, northern half of South Dakota, eastern Montana, with offshoots in southwest Manitoba and southeast Saskatchewan.

Thus far there have been three main regions of discovery. Amerada has developed the very important Beaver Lodge field, and the other two are the Shell and Texas Co. discoveries in central east Montana, and the strikes in northeast Montana, where Carter-Phillips interests hold a predominant interest.

Amerada seems to have the lead in Williston, a situation which has largely accounted for the fabulous rise in the price of the stock. The others mentioned above also are in proven ground but actual developments have been comparatively slow. Among other beneficiaries are Northern Pacific and Canadian Pacific which hold rights on very large areas adjacent to or in the Williston region. Both stocks have been subject to a rapid speculative rise, based on these prospects.

Williston was galvanized by the first Amerada well which brought in its wake enormous activity in leasing, with the result that practically the entire area is already leased despite the brief period which has elapsed since the first discovery.

Cost of drilling is very high, running from $250,000 to $300,000 a well and some for testing purposes cost $500,000. Obviously, expenditures of such magnitude indicate that only the very large companies can enter this field with any hope of financial profit.

Among the other important companies which have started exploration work in the Williston region are: Standard Oil of California and Sun Oil Co.

Lesser, though important, new fields which are being developed in the United States are Spraberry in West Texas and the Scurry field also in West Texas. Both fields are now extremely active with some of the companies already deriving important production from these sources.

Phillips, for example, completed 93 producing wells and 42 were being drilled earlier this year, with this number probably increased by now. The company estimates that several hundred additional wells can be drilled on

(*Please turn to page* 402)

The World's New Oil Fields

(*Continued from page* 401)

the 27,500 acres held in this area.

Amerada has a total of nine wells going with another being drilled in the Scurry field. Humble Oil, subsidiary of S.O.N.J. has very large holdings in the Spraberry area and its exploration and development program has substantially increased its underground reserves. It is estimated that Spraberry alone will add several billion barrels to the nation's oil reserves.

Lack of space prevents a description of other new oil fields, principally in New Mexico and Louisiana. However, drilling activity is very active in these regions. Then, of course, there have been extensions of old fields in many states including California, Oklahoma, Kansas, Colorado and Mississippi. Important additions to oil reserves are also being secured through applying new engineering methods. One method is to force out more oil through injection of gas or water into the producing strata. Such activities are expanded through joint operation of a number of companies. Gulf Oil has been a leader in this development.

The above gives a broad picture of developments in new fields and in some cases the extension of old ones. Several billion dollars are going into exploration and initial drilling activities alone. It should be clear that the greatest financial results will be obtained by the big, integrated companies. For serious investors these are the best outlets for investment in the oil industry. Though we have mentioned a number of important oil companies, there are many others of substance that are also active in exploration in different parts of the world. Among these the better known are: Union Oil of California, Tidewater Associated Oil Co., Richfield Oil Corp., Plymouth Oil Co., Continental Oil Co., and Cities Service Co. which has acquired important acreage in Williston and the Uintah basin of Utah. All of these companies stand to gain from their exploration and development programs.

For Profit and Income

(*Continued from page* 389)

mand, would seem to offer a logical invitation for speculation. Some of the better bets appear to be Douglas, Lockheed, Boeing, Gruman, North American and Republic. United and Curtis-Wright formerly dominated the engine field, but the future now belongs to jets and there are a number of fingers in this pie. One can also speculate on the airpower boom, without going whole-hog for it, via Sperry Corp, or Bendix Aviation, both big suppliers of instruments, controls, etc., or Thompson Products, which has a huge and rising order backlog for jet-engine parts. Of these three stocks, Thompson is the best in quality. This company has made impressive competitive progress in automotive engine parts, and does a large and relatively steady replacement business therein.

Canada

Canada is in a boom. If you want a speculative-investment in its long-term potential, you are perhaps least likely to go wrong. although you will not hit a jackpot, by buying and hanging on to Canadian Pacific Railway. If Canada booms, its rail lines, air lines, steamship lines and hotels will do more business; its large land holdings, including some with proven oil reserves, will be worth more; and its big holdings of Consolidated Mining & Smelting, amounting to nearly two-thirds of a share for each share of its own stock, will continue to be profitable. Earnings this year will probably be in the vicinity of $3.25 a share, dividends $1.50, with something like two-thirds of both deriving from non-railroad operations. Around 36, the stock is historically high; but the yield is roughly 4.2%; and, as compared with other Canadian speculations which have any allure at all, it is moderately priced. They all command a premium, often wide, over comparable U.S. speculations.

Answers to Inquiries

(*Continued from page* 397)

vious year due to higher Federal income tax rates and increased operating costs.

Sales for the year reached a new high record total of $228,-661,163 an increase of 11.4% over sales of $205,257,498 in the previous year. Every major department of the business showed sales gains. The volume of sales on a unit basis increased 2%. Sales of specialty foods and services increased to an all-time high of 17% of the company's total sales, making it the company's third largest department.

Fluid milk and cream sales for the year accounted for about 32% of the total dollar sales volume and increased $9,391,231 over the previous year. Profit from milk sales declined, however, because of the higher operating and distributing costs and higher prices paid to farmers for milk. The margin of profit on milk sales for the year, after allowing for Federal taxes, was 8/10 cent of a gallon or 2/10 cent a quart.

Ice cream sales accounted for 16% of total sales for the year and the profit of this department, even though operating and distributing costs continued to increase, was higher than a year ago. Butter sales exceeded those

(*Please turn to page* 404)

Stock Market and the Election

(*Continued from page* 363)

potentials. If Taft is nominated the probable consensus—right or wrong, but presently supported by the public-opinion polls—will be that (1) the changes are against his being elected and that (2) were he elected ,the deflationary consequences of the fiscal policies he has been promising would be more severe than under those Eisenhower has indicated a leaning to. If a Democrat is nominated, he might or might not be less of an inflationist than Truman. Should it be Stevenson, following a Convention draft, he figures to be more of a middle-roader than Truman, if his past record means anything.

We have had years of inflationary prosperity as a result not of political planning but of global war, post-war catching-up needs and now the armament stimulation. It cannot last indefinitely; and no conceivable pump-priming can prevent at least a very substantial adjustment, since it cannot compare in power with the vast lifting forces heretofore effective. That is why the Presidency for the four years beginning next January looks like a dubious political prize; and why a good many conservatives would just as soon "let a Democrat stew in it and take the rap."

We continue to recommend a selective, reasonably conservative investment policy.—Monday, June 23.

Answers to Inquiries

(*Continued from page* 402)

of the previous year and contributed 22% of total dollar sales volume during the year. However, unit sales and profit were lower than the previous year. Sales of specialty foods and services, other than dairy products, showed another increase over the preceding year on both a dollar and unit basis.

Inventories at the year-end were $6,568,283, compared with $7,199,687 on February 28, 1951.

Sales in March and April, first two months of this fiscal year, were 3.3% higher than the same period last year, but profits both before and after taxes, were down slightly. Sales for March and April totalled $36,453,872 against $35,299,270 in the corresponding months of 1951.

Dividends including extras totaled $2.50 in 1951 and $1.25 has been paid thus far in the current year.

As I See It

(*Continued from page* 361)

Italian specialties has discouraged Italian business. Unemployment—which proportionately is almost as bad as we had during the early thirties—is on the increase. There are some 2 million unemployed, 1½ million part-time employed in addition to some 4 million landless workers who barely hold their bodies and souls together—all of them fair game for communist or fascist agitators.

There is a feeling that the combination of liberalism and socialism that the de Gasperi government has been pursuing is not simply getting the country anywhere. The industrialists are bitter against Italy's participation in the Schuman Plan which, they feel, will favor the countries better endowed with raw materials. The landless workers are irritated that the land reform is not pushed vigorously enough, while the landowners argue that the land reform will weaken the foundations of the Italian economy, reduce agricultural production and thus produce only more misery and want.

One could, of course, suggest more American help either direct or through placing military contracts with Italian factories in order to bolster up the de Gasperi Government between now and the next general elections which are to be held in the Spring of 1953. We have promised Italians that we would buy a lot of arms and supplies for European defense from them, but to the Italian communists' great glee, nothing has been done about it. However, dollars alone will not cure Italy's ailments. That is one thing that we will have to learn. The problem goes much deeper. Italy is a tired, overpopulated land; yet the population still continues to increase at the rate of nearly 400,000 a year. The Italians feel that the solution is in the hands of foreigners and that's why there is growing bitterness toward the democratic West. They want more liberal migration laws and capital for their industries. But foreign capital for their factories will not be forthcoming unless Italy cleans her own house. That does not mean the communists only. It also means balanced budgets and better tax laws. Only one million people out of nearly 50 million Italians pay income taxes, while the poor are getting poorer because of unemployment and hidden taxes.

Latest Earnings Changes Make It Wise To Re-Appraise Your Securities Now

Second quarter earnings to be released soon will reveal changes going on in income of the individual companies and provide clues as to future prospects.

This is not a time to sit tight on your holdings. Rather it is a time to withdraw from shares of companies *before* second quarter income reports and other factors make it evident that they may be seriously restricted. You should concentrate on companies where further income progress will encourage capital growth and support liberal yields.

INVITING YOU TO SUBMIT YOUR HOLDINGS FOR OUR PRELIMINARY REVIEW

So that you may recognize any weakness in your account, Investment Management Service now offers to prepare a preliminary review of your security holdings entirely without obligation—if they are worth $20,000 or more.

Our survey will point out various of your less attractive holdings, and some of your securities to be retained only temporarily. It will tell you how our personal supervision can assist you to strengthen your diversification, income and the enhancement possibilities of your account. We will evaluate your list and quote an exact annual fee for our service.

Merely send us a list of your securities. Give the size of each commitment and your objectives. All information will be held in strictest confidence. This offer is open only to responsible investors who are interested in learning more about our investment counsel.

INVESTMENT MANAGEMENT SERVICE

A division of THE MAGAZINE OF WALL STREET. *A background of forty-four years of service.*

90 BROAD STREET **NEW YORK 4, N. Y.**

NOW–

"We, the People!"

is produced for **GULF** by

the editors of LIFE!

see it every Friday evening on NBC-TV

WHAT will you see on "We, the People" during the important weeks ahead?

•

Each week, the television cameras of "We, the People" will present some important aspect of the political scene!

•

Programs will be telecast from Chicago this summer during the Republican and Democratic National Conventions.

WHY did Gulf invite the editors of LIFE to produce "We, the People"?

When Gulf President S. A. Swensrud announced this important step, he said:

"The next few months are bound to be important ones in the political history of the country and in order to bring to the people an interesting and dramatic presentation of all sides of the picture, we have invited the editors of LIFE magazine to produce 'We, the People,' and to bring to the program their great journalistic background and resources."